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THE PHILOSOPHY
OF AMERICAN HISTORY

Periods in American History

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OF
AMERICAN HISTORY

v. 2

Periods in American History

BY
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Periods in American History

PREFACE

Both Buckle and Henry Adams were convinced that to develop the laws of historical movement, it would be necessary to study its phenomena in comparative freedom from extraneous influences. Perhaps it was pure coincidence, but the great English historian and his equally great American counterpart believed that the study of the development of their respective countries, to whose people and institutions they were profoundly attached, offered the ideal medium, because of their relative isolation, for the observation of tendencies essential to the elucidation of historical laws. Such arbitrary assumptions are, to us, unnecessary because every civilized people present an adequate field for the study of the social forces which produce the events history records.

This work develops directly the scientific principles of the Historical Field Theory from the analysis of the social forces in American history. As a corollary to the general theory there is presented a special theory—the Theory of the Continuing American Revolution. This is the pivotal point around which over three hundred years of our history centers.

Should the scientific validity of the general and special theories be sustained, we will not only view the past in a different manner, but it will also make clear the nature of our contemporary problems. Thus, by casting a light ahead, we will understand more clearly the definite steps to be taken to attain a practical goal, while the nature of the goal itself will be delimited in distinguishable form. We have undertaken in the last chapter the ultimate test of the science of history, the prediction of the course of our national development for the next twenty years from the operation of the laws of motion as they must develop out of the given social structure.

It has been our aim throughout to establish the character of the temporal social structure by tracing the evolution of the social forces which produced the profound events of our history. Therefore it is not too much to say that American history in the ensemble is presented in a manner which is as new as, we feel confident, its theoretical basis is sound. The validity of the one must follow out of the truths established by the other. All subsequently discovered material facts must be encompassed within the framework of the theory, or the theory must succumb to the rigor of science's inexorable requirements.

Our first problem in the consideration of American history is to account for the particular colonial policies of Spain, France and England, and to show how they determined the subsequent development of their New World possessions. This is the key to American history. The American Revolution was no more an historical accident than was peonage in New Spain or feudalism in New France. The entire course of our colonial history led inexorably toward a people's revolution and the founding of a genuine Republic. Every American glories in that achievement. What is not so generally recognized is that the social forces unloosed by the great Revolution have not yet run their course, but are gathering scope and effectiveness by the very nature of the developing democratic institutions which were then brought into being.

We are now at one of those rare epochal turning points in the history of Civilization. We shall witness in our own time the fruition of the processes long in motion for that more equitable social order toward which the intervening generations have set their hearts. This great America of the twentieth century will blazon the path for a distracted world as did the similarly great America of the eighteenth century.

If history is to become a vital part of our culture, it must demonstrate its utilitarian value. This it can do only by the rigorous application of scientific principles in the analysis of the past and the present, so as to illumine the future for our groping steps. A tremendous advance will have been made when society can be told in the authoritative manner of science: These measures, pursued in this manner, must lead toward that result.

Mankind proceeds by hindsight, science by foresight. Man does make his own history within the limitations of his understanding and the material conditions of existence which enfold him. Though endowed with enormous capacity for mastering both himself and his environment, he still continues as the principle sufferer of his shortcomings. Up to now man has been the creature, and often the victim of his destiny; the Historical Field Theory, if valid, will enable him to become its master.

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CHAPTER I

Modern Theory of Colonization

ALL THE problems of the philosophy of American history are posited from the very beginning of its record.

Why is it that of the three great colonizing nations with which our history is identified, none of them succeeded in maintaining on our mainland its respective position which had been established with so much privation and at such great cost? Why is Canada with resources which have scarcely been tapped, and inhabited by a virile and enterprising people still a Dominion of the British Empire, ruled over by a King, with a sparse population, and with an economy dominated both by England and the United States? Why is Latin-America still a semi-colonial territory subject to the policies of the great world imperial empires? Why did the United States of America alone among all the nations of the New World assume in fact, as in principle, that separate and equal station among the powers of the earth to which they laid claim according to the laws of nature and of nature's God?

To answer these questions adequately, scientifically, it is necessary to consider some of the general aspects of the colonial policies of Spain, France and England, before analyzing each of them separately.

American history divides itself logically into four periods: first, the Colonial Period; second, the Period of Expansion; third, the Period of Industrialization; fourth, the Period of Nationalization. It will be the aim of this work to lay bare the laws of internal motion of each period, leaving for subsequent consideration the detailed analysis of their results.

CHARACTERISTICS OF CIVILIZATION

Since history is the record of events in society, only that segment of human existence comes within its purview of which authentic records exist, in a form suitable for its purpose.

The beginnings of history already find mankind in a high stage of civilization. Social division of labor between town and country indicate the extent to which man had learned to subject his environment to his own purposes.[1] Communication by speech and writing had long been effected. The conqueror compelled the conquered to submit to his will, and made the subject toil for the support of his rulers.

An extensive state apparatus, a governing class, a military organization and an ecclesiastical establishment demonstrate how far social differentiation had proceeded at the dawn of recorded history. We are not concerned with that part of human existence anterior to the era we call Civilization. Anthropology and sociology distinguish the various stages of man's development from mere animal existence through Savagery to Barbarism and finally toward Civilization.

At the dawn of the written record of man we already find in a high stage of perfection the institution of private property in the means of production. It may be objected that the primitive savage with his club, canoe, fishing tackle and bow and arrow in whose embellishment he often took great pride was the possessor of private property and therefore comes within the scope of the definition.

Ricardo even goes so far as to speak of the savage's tools as his capital, and he sought to derive the law of value from the comparative prices of his commodities in bartering fish for game based on the relative quantity of labor expended in their obtainment.[2] This brought forth the mordant comment from Marx that Ricardo was guilty of making primitive man apply the same calculations in his daily life that were customary for the London Stock Exchange of which that economist was a member.[3]

Civilization is characterized among its other features by private property in the means of production for exchange, whereas possession of individual implements and tools can be found in every era of society. We also use the word characterized as a description and not in an exclusive sense.

Society must have evolved a considerable division of labor before men can assume the relation of sellers and buyers of products. Mankind has never suffered from the lack of consumers, but only under definite social conditions does one class become the possessors of the socially necessary means of production employed by another.

[1] The Outline of History—Wells, pp. 131-5.

[2] Principles of Political Economy and Taxation—Ricardo, Sec. III, pp. 13-14.

[3] Critique of Political Economy—Marx, p. 69.

HISTORICAL IMPORTANCE OF ACCESS TO THE LAND

Land is the original store-house of nature's bounty. No man becomes beholden to another so long as he has free access to mother earth. When land becomes private property such access can be had only on definite terms. Title to land has never been absolute, and its limitations have been established by the social code of the time.

Former primitive relations to the land as established during the previous eras of human existence were often carried over into the era of Civilization. Such is the communal ownership of land which still exists in vast areas of the Orient, subject to taxes and tithes due to the state and the nominal lord.

Thus when the feudal relations of English society were finally undermined between the fifteenth and sixteenth centuries, the English peasants' claim to the commons and other hereditary rights to the use of land were swept away by the process of enclosures to establish the permanent title of the lord, who was now relieved of all feudal obligations to the former occupants of the soil.

The feudal tiller became a tenant or was forcibly ejected from the close village of his ancestors, now transformed into the exclusive preserve of the land-owning class. The landless peasants gravitated toward the towns and entered into petty industry or manned the fleet of England's expanding marine. The importance of land can be visualized when we consider that over 85% of the population in those days was still engaged in agricultural pursuits.

Andrews, Hadley and other students have pointed out the significant role that the opportunity to own land free from feudal tenure played in the upbuilding of America. "The ease with which land could be obtained in America," wrote Farrand, "brought about a complication in colonial economy that materially affected the composition of the population, and the whole social structure as well. Men who could take up land for themselves and obtain all of the benefits of their own labor could not be expected or induced to work for others." [4]

Different epochs of civilization are distinguished by the core of their property relations toward the socially necessary means of production. Thus ancient Graeco-Roman civilization was based upon slavery, the Middle Ages upon feudalism, and Modern Capitalism upon the private ownership of the socially necessary means of production in land and other forms of capital.

This does not make every owner of an acre or a shack or a treadmill grindstone a capitalist. Definitions must also give the essence of the thing they define. A capitalist must generally derive an income from his relations to capital of such magnitude as to enable him to live on a scale generally recognized as the level essential for that class. The recipient of an income of $1000 a year by virtue of his relation to capital is not typical of that class. In history we are concerned primarily with social institutions and not with individual relations. In practical life the economist has no difficulty in recognizing a capitalist, just as the biologist sees in man a mammalian. But there are borderline species in both branches of science which are very hard to classify, without thereby affecting the validity of their respective classifications.

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[4] The Development of the United States—Farrand, p. 11.

SIGNIFICANCE OF THE PROPERTY RELATIONS IN A FORM OF CIVILIZATION

It may be contended that to define a civilization on the basis of the development of its property relations is too one-sided and arbitrary, and that another basis may be accepted with equal justice by some other writer. No one questions such a general right, but we may the validity of the basis one chooses to adopt. For if it can be proved that the dominant state organization, the mode of production and the ideological super-structure are all derived out of the property relations characteristic of Civilization, then we shall have established the claim that this definition of Civilization fulfills all the rigid requirements demanded of scientific nomenclature.

Furthermore it will be shown that as the property relations are being modified, so do our traditional attitudes toward that type of civilization founded upon the particular mode characteristic of an epoch in Civilization.

We have to solve the problem of whence the origin of those English colonists who braved the unknown dangers of the ocean to reach the shores of the New World and thus lay the foundations for our American civilization. No one will seriously object, at the present point of our introduction to the American colonial period, to the proposition that its civilization was an offshoot of the civilization of Western Europe, particularly of England, as it existed during the seventeenth century.

The colonial relationship was predicated on definite legal, economic, ethical and religious ties between the colonies and the mother country. The termination of this relationship in its legal aspect ended the colonial period of American history in its formal aspects. Usually the beginning of the period is stated as 1607 when the first permanent settlement was established at Jamestown, and ended with 1775 when hostilities broke out between the colonists and the upholders of the English power.

Some historians prefer to stretch it out to 1783 when American independence was formally recognized. Much could be said for bringing the end of the period up to 1789 when the Federal government was firmly organized. But historical periods cannot always be delimited with precision, nor is it at all necessary that we do so. Lippincott, for example, defines the end of the colonial period by stating that the most significant outcome of the Revolution was the establishment of political independence which enabled the new country to direct its industrial policies without interference from abroad.[5]

We stated that the core of Civilization is the institution of private property in the necessary means of production. The epochs of civilization were determined by the particular mode of that relationship. A period in history is the time required for the fullest development of the possibilities inherent in the economic, political and ideological relations during a particular phase of an epoch in civilization.

The establishment of the colonies in America represented a tremendous outburst of the creative spirit within the English people during the sixteenth and seventeenth centuries. At that point in English history the entire social structure was in a state of flux, signalizing the nation's transition from the feudal mode of organization into the epoch based on the relations of modern capitalist society. This development and this clash did not express itself haphazardly. It is the purpose of this part of our analysis to show how it took form and in what manner specifically it affected the future course of American history.

It is characteristic of great social ferments that its historic significance is seldom appreciated by those who participate most actively in its development, while its consequences invariably far transcend the limited objectives of its principal actors. The resolution of the internal conflicts in English society was not preordained. The religious and political upheavals during those two centuries, rent English society from top to bottom and ended only with the final victory of the middle class.

As an offshoot of this historical process the American colonies were founded. They, too, underwent a definite form of development culminating in irreconcilable differences between the mother country and her subjects. This was resolved by the ultimate arbitrament of arms in favor of American independence. The story of our Revolutionary War is replete with self-sacrifice and devotion which no mechanical, formalistic or economic interpretation could explain.

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[5] Economic Development of the United States—Lippincott, pp. 121, 128, 209.

When victory was won, the erstwhile colonists had arrived at political maturity, but their economy suffered from the defects of its origin. While they were now politically independent, they were still thirteen sovereign entities which did not cavil at exercising that sovereignty against each other short of armed recourse. The loosely-built Confederation finally gave way to the Federal Union of indestructible States upon Washington's inauguration. The United States of America was formally launched among the family of nations.

DELIMITING THE PERIODS IN AMERICAN HISTORY

Science can afford to overlook the slur of being pedantic when it insists upon definiteness in nomenclature, coupled with the peremptory requirement of substance in argument. If historical eras, epochs and periods begin to mean something real and fundamental then they must clear the ground for the analysis of the social structure characteristic of the time in order to determine the nature of their distinctive internal laws of motion.

We can no longer indulge the amiable fashion for historical rhetoric in the grand manner of Bancroft who discovered epochs in every important event. Thus with his usual magnificent flourishes he divides the American Revolution into four epochs, the first from 1748 to 1763,[6] the second from 1763 to 1774,[7] the third from 1774 to 1776,[8] and the fourth from 1776 to 1782.[9] However, Bancroft meant nothing more by that term than what could be more moderately described as a particular phase or point in a limited process. He could, for example, inquire at what epoch Spain would take part in the Revolutionary War [10] on the side of the new-found Republic.

Schlesinger divides American History into Ancient, Medieval and Modern. Ancient American history, according to this startling classification, began with the transplantation of an advanced European civilization to a primitive and undeveloped world. Medieval American history began with independence and lasted until the end of the Civil War. "In the case of the United States," he writes, "the Middle Period was characterized by the dissensions and jealousies of baronies (or states) with the growing power of the overlord (or federal government), and the entire national life was strongly tinctured by the plantation system of the South with its feudal lords and black vassals." [11]

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[6] History of the United States—Bancroft, Vol. III, p. 1.

[7] Ibid., Vol. III, p. 307.

[8] Ibid., Vol. IV, p. 309.

[9] Ibid., Vol. V, p. 333.

[10] Ibid., Vol. V, p. 538; Vol. VI, p. 159.

This amazing description belies analysis. Perhaps some day some one will make clear the vast gulf which divides society based upon chattel slavery, the feudal relations, and those which distinguish modern capitalist society. This only emphasizes the more strongly history's need for the same degree of exactness in description that every other science insists upon in its own field. Schlesinger's classification of American historical phenomena is just as rational as would be a biologist writing about invertebrate mammals.

HAPHAZARD USE OF THE TERM REVOLUTION

Revolution is not a word which should be lightly played with by an historian. The term is frequently used in a metaphorical sense, such as a revolution in industry, in science, or in thought. But we must endeavor to restrict that term closely in its historical application. Many writers are over-generous in ascribing revolutionary ardor to the American people. Some speak of the Jefferson revolution of 1800 and the Jackson revolution of 1828.

Beard speaks of the Second Revolution of 1861-1865.[12] "If by revolution," he writes, "is meant the overthrow of one class by another, a sudden and wholesale transfer of property, then all the New Deal laws combined effected no revolution." [13] Now by a revolution in the sense in which that term is properly employed, we mean not only the overthrow of one class by another, but that the revolting class is successful, takes over the reins of power, and either uses the existing state apparatus for its own purpose or creates another as the instrument of its will. A revolution may be crushed, but its real objective is the assumption of the powers of state on the part of a hitherto subject class. That is the acid test for a revolution.

The Civil War was not a Second Revolution since it neither was begun by the slaves nor did they assume independent state power as its consequence. The Civil War means what its name implies, a conflict between two divisions of those possessing state power for supremacy in the exercise of that power and the effective enforcement of sectional policies. The New Deal did not create a revolution because none was intended.

Bloodshed, turmoil, disaster, all are incidental to the real objectives of a revolutionary struggle. The English Revolution of 1688 was no less thorough because it was practically bloodless. The same can be said of the actual Bolshevik Revolution in Russia in November 1917.

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[11] New Viewpoints In American History—Schlesinger (1937), p. 246.

[12] America in Midpassage—Beard (1939), p. 655.

[13] Ibid., p. 249.

Transfer of property is no criterion by which to gauge a revolutionary situation. The great crash on the Stock Exchange in October 1929 saw vast masses of property transferred without the social order being shifted from its foundations.

It is surprising therefore to see such a profound and careful student of American history like Boudin speak of the American Revolution of 1800.[14] It is true that the Republicans then inflicted a decisive defeat upon the Federalists, but all that was lost and won was the nominal, political control of the state.

The government remained essentially the same. The democratic processes which had been dammed up during the recession of the fervor of 1776 now had an opportunity to grow under the enlightened policies of Jefferson. These required in time the stimulating influence of the Jackson Administration to bring them vigor again after their declension under the successive administrations of Madison, Monroe and John Quincy Adams. The concept revolution is not to be lightly employed by the scientific historian.

SCOPE OF THE COLONIAL PERIOD

The colonial period in American history began with the first settlements and ended with the Revolution, or it may be carried over to the organization of the Federal government. This point will be considered later. What must be inquired into now is the process of historical development over a period of a hundred and seventy-five years which led the thirteen colonies to revolt and to assume among the powers of the earth, that separate and equal station to which they laid claim by the laws of Nature and of Nature's God.

Well they knew that neither nature nor God had any purpose in mind save that which their courage was ready to support with arms in hand. God's favor fluctuated with the varying fortunes of war and the respective sympathies of clergymen. It is not the inherent destiny of a colony to assume after a time an independent status. Older colonies there were before them which still remained subject to the dominant power, and still continue to remain so.

Our investigation must therefore consider the problems of the colonial policies of England, the manner of colonial development from their founding to the ultimate struggle, the relations between the colonies and the mother country, and thus lay bare the laws of internal motion which finally led them to fight for their freedom.

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[14] Government By Judiciary—Boudin, Vol. I, p. 241.

Six European nations at one time or another exercised political control over those portions of the North American continent which now owe allegiance to the United States; and a seventh would be added to the list were we to include the Virgin Islands purchased from Denmark in 1917. Russia sold us Alaska in 1867 but played no role in our colonial history; Sweden whose colony on the Delaware was absorbed by the Dutch in 1655 can likewise be eliminated from this general view of the colonial period because of its evanescent role in our historical development; while the doughty Dutch were in turn swallowed up by the bigger English fish in 1664.

Of the remaining three, the respective colonial policies of England, France and Spain each exercised a potent influence in shaping the development of that period in our history. The dominant social forces in these countries determined the character of their colonial policy, and the New World still experiences the consequences of that influence to this day.

CHARACTERISTICS OF THE COLONIAL STATUS

In general during the seventeenth and eighteenth centuries a colony was distinguished by the following relationship: first, it owed absolute allegiance to the sovereign power; second, it possessed whatever local authority it suited the policy or convenience of the sovereign to confer, amend or withdraw; third, its internal economy was generally circumscribed so as to dovetail with the requirements of the sovereign power; fourth, its commerce was strictly controlled to conform to channels prescribed by the mother country; fifth, all international relations were dominated by the sovereign; sixth, vital internal improvements were dependent upon the sovereign will; seventh, its finances, currency and taxation programs were designed primarily to meet the situation of the sovereign; eighth, its immigration was closely restricted to conform to European national policy; ninth, its legal code was established by the sovereign; tenth, its religion, education, and general culture was shaped in conformity with the primary dictates of the sovereign.

It is clear that the nature and character of the sovereign power exercised an overwhelming influence over the development of a colony. That this influence was not exclusive is abundantly demonstrated by the subsequent course of colonial development. Other special factors of race, geography, cultural background and the impact of events, both internal and external, radically modified or destroyed the original intentions of both founders and successors. To grasp clearly the reasons for the course of this historical development in the colonial possessions of Spain, France and England, one must look first to the initial source of their derivation.

All three powers were faced by a striking similarity of problems in the New World; the land, the people, the historic conditions of what is now the United States were the same for all. Each met these problems in accordance with the distinctive characteristics of their respective national ideologies, which in turn was determined by the mutual inter-action of their respective economies and state organizations. This was reflected in their divergent colonial policies and led to the necessary unevenness of the colonial history of the North American continent. These factors present every element necessary for the proof of the validity of the Historical Field Theory, and supply the premises from which it is derived. We will presently consider the colonial policies of Spain, France and England respectively as they contributed toward that conflux of events which culminated in the establishment of the United States of America.

COLONIES POSIT THE ENTIRE PROBLEM OF HISTORY

At the very threshold of our inquiry we are faced with the whole problem of history. Why did the colonies of the great overseas powers of that day develop as they did? The answer to this question cannot partake of that smug wisdom which comes after the event.

In very truth, there does not exist today one hundred and fifty years after the establishment of our Republic any definitive history of the colonial period and its climactic consequences. Conscientious scholars have delved into the minutiae of that period, and despite the accumulating mountains of evidence no satisfactory theory has been arrived at. "In the light of these studies," writes Schlesinger, "it is now almost universally agreed that the revolutionary movement was the product of a complexity of forces, governmental and personal, British and colonial, social, economic, geographical and religious. No definitive history of the American Revolution can be written until it becomes possible to appraise each one of these factors at its true value." [15]

Schlesinger here represents the prevalent method of historical inquiry about which James Truslow Adams laments. No matter how

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[15] The Colonial Merchants and the American Revolution 1763–1776—Schlesinger, p. 5.

minutely each segment of the problem is investigated, that in itself will not supply the clue to the whole unless history is conceived as a whole with interdigitating parts. The study of each part must then lead to the generalized conception, while in turn the generalized conception must be based upon, and be in agreement with the reality as it is expressed by its parts.

This appears like an endless race between the part and the whole locked in a vicious circle. We will presently see how simple, how logical, how much in agreement with all the facts is the explanation of the colonial period when viewed from the standpoint of the Historical Field Theory. This viewpoint must be in agreement not only with all the facts as they are presently known, but also with that vast reservoir of undisclosed information which Beer, Schlesinger, Nettels and other scholars are still industriously tapping in the musty archives of London, Paris and Madrid, besides our own.

METHOD OF HISTORIAN'S APPROACH

How to begin, is the besetting problem of every historian no matter what the particular period of his investigation. Not all beginnings are equally valid, because each is predicated upon certain assumptions which have the tendency to become subjective historical yardsticks. We on our side also must begin with some definite objective in mind, but our objective is not to prove or disprove a thesis, but to establish a principle, the fact of the laws of social motion as they manifested themselves in our colonial history.

Colonies manifestly did not discover themselves or people themselves. Only after a complicated series of events did they begin to govern themselves, and then within the definite limits of powers conceded to them by the paramount power. The question therefore arises, Why were colonies established? How did they develop? What were the initial impulses of the colonists? When and under what conditions did they attain to, or fail to obtain thus far, the status of independent sovereignty?

In history, as in any other branch of scientific investigation, a great deal depends upon the point of view with which one approaches the problem. That does not mean that an infinite number of points of view are possible. Only in history is that proposition seriously asserted. In proportion as definiteness in the laws of motion of a given phenomena are established, to that degree does a particular discipline partake of the nature of scientific orderliness.

If one were to begin, as Schlesinger suggests in the quotation above, with an attempt to bring into agreement all the details of the complex factors, governmental and personal, local and abroad, which entered into the historical development of the colonies, then our quest for definiteness in history would have to be abandoned by the mere fact that all the details cannot possibly be known, and of those already in existence, no finite mind can comprehend but a fraction of them.

This would appear as a confession of defeat. Far from it. It only means that such method of approach is fundamentally fallacious. The proper approach is not the vain attempt to gather together the infinite minutiae of history, but rather to discover the source from which they flow. When Mendeleyev established the periodic table of chemical elements, not all of them had been discovered. Some of them to this day still baffle the chemist's ingenuity toward their isolation. But once discovered they fall inevitably into the slot reserved for them with properties and characteristics previously established.

The same degree of certainty must be established by the Historical Field Theory. As additional facts are disclosed the forces which produced them must correspond with those envisaged by the general principles. If they are of a nature which materially affect previous conceptions, then the theory must be modified accordingly. Should these facts, however, seriously challenge the fundamental conceptions of the theory, then, if it cannot be reconstructed, it must be abandoned.

RELATION BETWEEN THE SOCIAL STRUCTURE OF THE MOTHER COUNTRY AND ITS COLONY

Spain, France and England could not but reflect in their American colonial policies the social structures which gave them birth. At the outset all were fired by the same zeal to tap, if not to rob, the fabulous East of its riches. Trade was the basis, and often the pretext, for depredation. The enormous early successes of Portugal under Prince Henry and King John II aroused the enthusiasm of Ferdinand and Isabella of Spain, while the stupendous achievements of Cortes and Pizarro stimulated the avarice of every maritime nation in Western Europe. The fair gains of trade, the slow and uncertain returns of agriculture or industry were among the least of the motives of the early conquerors and settlers among these seafaring peoples.

From the standpoint of their beginning there was little to choose between the effective national motivations. Prestige, glory and national vanity were all powerful elements in this early period of discovery, subjugation and settlement. But this superficial resemblance should not blind us to the essential differences of their colonial policies as they developed in time.

Smith in his brochure on New Spain points out that "in many ways Spain was the pioneer among the nations that had colonies to rule, and it may not be too much to say that Spain's system was the model upon which the other powers more or less unconsciously built. The resemblances of the various European colonial systems were, after all, far greater than their differences, and the fact that Spain was first in the field makes it more than probable that her example in colonial matters was largely followed." [16]

Science, as we before remarked, makes most progress when investigating the differences rather than the assumed likenesses of phenomena. Its language knows no such face-saving clauses as "in many ways," and "example largely followed." The problem posited by the history of the New World is why the French continental colonies disappeared, why the former Spanish colonies though politically independent still linger on in semi-colonial dependence upon both the Old World and the Colossus of the North, and precisely why this colossus assumed its present proportions from the gangling string of English colonies on the Atlantic seaboard to the mastery of two continents.

These problems have presented insuperable difficulties to classical historians, who are inclined to agree that they are insoluble simply because they do not lend themselves to solution by the methods of investigations which they employ. There is only one definite manner of resolving these problems, and that can be only by the investigation of the social forces which brought these colonies into being and shaped the manner of their internal growth, while the proof of the conceptual validity of these social forces consists in their ability to satisfy the requirements of all the known material facts so abundantly supplied by their respective records.

FAILURE OF A GENERALIZED CONCEPTION OF COLONIAL HISTORY

First of all, we must eliminate all such surreptitious ideas to which Smith gave expression in his assumed resemblances between all colonies. There are no such things as colonies in general. Every colonial policy presents a specific problem whose general features may be merged by the superficial observer, without thereby divesting it of its specific character.

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[16] The Viceroy of New Spain—D. E. Smith, p. 279, Univ. of Cal., Publications, March, 1913.

Colonies are as ancient almost as history itself, yet no comparison can be made between the colonies, say of Greece, and those of modern times. Bancroft may generalize in the grand manner that "it is the ancient fate of colonies to be planted by the daring of the poor and the hardy; to struggle into being through the severest trials; to be neglected by the parent country during the season of poverty and weakness; to thrive by the unrestricted application of their powers and enterprise; and by their consequent prosperity to tempt oppression." [17] With the American colonies, on the contrary, their prosperity led them to sever their relations with the mother country, because the nature of those relations were an inhibiting influence to their greater prosperity.

Bury points out that the prime motive for early Greek colonization was the landlessness of its people within the limited confines of the city-state. The colonists went forth protected by the same gods, carrying the same culture and reveling in the spiritual unity between the mother-city and its offspring.[18] The colony assumed an independent, sovereign status, and was not at all answerable to the mother-country, which is a relation, in the modern theory of colonization, to be attained only after a grave constitutional crisis, if not worse.[19]

Plutarch writes in his genial perambulating style of the great concern the Corinthians always entertained for their colonies and plantations; especially toward Syracuse; and of the close spiritual kinship subsisting between the mother-cities of Greek civilization and their spawn.[20] Yet not by the wildest flight of the imagination can history sustain a relationship, as St. John Tucker tries to establish, between the so-called imperialism in "a straight-line of descent from the throne of Menes to the chair of Wilson; a straight course of Empire from that far off day when Upper and Lower Egypt were united beneath the crown of the first Empire, to the day when the expanding credits of America forced her imperial merchants to create an imperial figurehead. Our symptoms of imperialism are identical with those which all budding empires have displayed." [21] It is absurd to contend that in all history colonies represent the imperialistic impulse as it is currently manifested if only because of the differences in their social background and origin.

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[17] History of the United States—Bancroft, Vol. I, p. 162.

[18] History of Greece—Bury, pp. 79-81.

[19] History of Greece—Bury, p. 143.

[20] Plutarch's Lives—Timoleon, pp. 209, 220, 295.

[21] A History of Imperialism—Tucker, p. 5.

DIFFERENCE BETWEEN ANCIENT AND MODERN THEORIES OF COLONIZATION

There is all the difference in the world between the imperialism of the present British Empire and of that created by Alexander. To some historians an empire is an empire and the very term establishes a kinship, just as no one can deny that colonies are colonies.

Yet even in those early days the colonial enterprises of the essentially commercial Phoenicians who founded Carthage stood on a far different plane than that of the Greeks who studded the Mediterranean with their too-numerous offspring. How vastly different are the ancient and modern theories of colonization can be seen from the following by Curtius. "The colonies," he writes, "saved Greece when suffering from over-population; for the extraordinary productivity displayed by the Greek nation, particularly from the eighth to the sixth century, would have, as it were, suffocated the states with the multitude of their inhabitants, and caused their ruin by means of internal disturbances and mutual feuds, had not colonization carried off the surplus forces and beneficently expended them, at the same time procuring for the mother-city an increase of power and commercial connections. Hence the colonists were not unfrequently consciously designed to be political remedies, in order to serve, as it were, to let blood in times of feverish excitement."[22]

While over-population existed in England during the sixteenth century, the term itself is elastic in meaning. Elizabethan England had not room enough for five million people, many of them the victims of land enclosures, while modern England supports comfortably over forty million. Theories of population must be considered in connection with the historical field from which they spring to render them intelligible. The same England that would lavish its surplus population on the New World in the seventeenth century became rather penurious in hoarding its human wealth in the eighteenth century, as the industrial revolution developed its appetite for hands to tend the machines in factories dotting the country-side.

Roman colonies were deliberately patterned upon the larger aspects of its imperial policy. At first they were intended to establish more firmly the power of Rome throughout the peninsula. These communities with their hereditary rights and privileges formed the nucleus for those self-sufficing municipal corporations which saved European civilization from total eclipse following the collapse of the empire.

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[22] History of Greece—Curtius, Vol. I, p. 491.

At first only a limited burgess citizenship was conferred upon the inhabitants of these provincial towns,[23] but later their privileges were extended to equal those of the transmarine colonies which were in the nature of imperial military outposts. Outstanding as an historian of the classical school, Mommsen persisted to the last in emphasizing the purely political aspects of history for which agriculture, commerce and industry afforded merely the necessary background.

MOMMSEN'S FAULTY ANALOGY BETWEEN ROMAN AND AMERICAN COLONIAL HISTORY

Mommsen draws a deadly parallel between the attempts made by the Roman oligarchy to restrict the rights of citizenship which inflamed the civil war between the senate and the equites "which in point of indisputable legality and of political folly stands completely on a parallel with that famous act which laid the foundation for the separation of North America from the mother-country; in fact, it became, just like that act, the proximate cause of the civil war." [24] And then follows his famous comparison of Quintus Scaevola who was destined to enact the role later played by Sir George Grenville.

Like most analogies, it possesses upon examination as many holes as a sieve. The right of British colonies to parliamentary representation played a role, if one is willing to stretch the abstractions about taxation and representation to the ultimate. It must be obvious to the student of our colonial times that if England were then inclined to grant such full representation, that concession might have temporarily stumped the colonial orators, but it would not have stopped the revolution.

Very soberly Beer observes that the doctrine of "no taxation without representation," is one of those vague political principles which can neither be subjected to scientific analysis, nor carried to their logical conclusion, but which are all the more implicitly believed in because their meaning cannot be explicitly expounded." [25] The vast difference between the times which Mommsen compares to draw his sententious political moral must vitiate whatever favorable impression his learning creates. The historical field is an inevitable accompaniment of the historical facts which are compared. It would be even more startling than Jeans' monkeys strumming out at last a Shakespearean sonnet, if both coincided in all essential respects.

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[23] History of Rome—Mommsen, Vol. I, p. 393.

[24] History of Rome—Mommsen, Vol. III, p. 280.

[25] British Colonial Policy, 1754–1765—Beer, p. 297.

DISTINCTION BETWEEN COLONIZATION AND MIGRATION

Colonies obviously are the result of migrations, but not all migrations are of a colonial nature. Only under definite historical conditions do they become so, and it is incumbent upon the historian to analyze the specific conditions of their origin in order to grasp the significance of their subsequent development.

Comparison of the total number of emigrants sent forth by Spain, France and England may offer a fruitful clue to the colonial policies of the respective nations. But mere mass is not the criterion; it is only one of the indices. History records mass migrations which put to shame the most ambitious efforts of enterprising European companies or the maneuvers of aggressive monarchs. The Jews out of Egypt eventually came to their Promised Land not as colonists but as conquerors who displaced the indigenous population. Our Bible-quoting theocrats of early New England had no difficulty whatever in finding justification for their policy of Indian extermination, to make room for their own numbers. But the resemblance ends before it fairly begins.

Mass migration has little in common with colonial emigration outside of the obvious displacement of human beings from their familiar haunts. It is not so far back as the story of mankind goes when many of the races now boasting of a high order of civilization were barbaric hordes wandering from place to place with occasional irruptions into the states of neighboring civilized peoples. The most far-reaching of these incursions were those of the Goths, Vandals and Huns into the outer provinces of the Roman Empire, until finally the center itself succumbed before the impact of their irresistible onslaught.

They came as conquerors, and some remained as settlers and rulers over the erstwhile masters of the known world. The once great Romans were reduced to the expedient of purchasing their freedom with the gold which in different times they had extorted from the vanquished when avarice yielded before the ferocity of extermination.[26] So was Italy delivered from the wrath of Attila which included the sacrifice of an emperor's daughter to the bed of the barbarian.[27] Nor did the once mighty Roman legionnaires cavil at the terms of the formerly despised Persians who under Chosroes exacted an annual tribute of a thousand talents of gold, a thousand talents of silver, a thousand silk robes, a thousand horses, and a thousand Roman virgins.[28]

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[26] The Decline and Fall of the Roman Empire—Gibbon, Vol. I, p. 1201.

[27] Ibid., Vol. I, p. 1248.

[28] Ibid., Vol. II, p. 444.

So finally the effete empire succumbed before the migrant hordes with the final act of abdication by the Emperor and the Senate, while the last of the once proud line of rulers was spared by the generosity of the barbarian conqueror who dismissed him with an annual allowance for his retirement.[29] Yet the fact of conquest and the suzerainty of the conquerors did not transform Italy into a colony.

The prime condition of a colony is that it must come within the orbit of the polity of the dominant nation, and the barbarians had not yet attained to that degree of stability which transforms tribes into the nucleus of a nation. Settlement by the dominant power is not the prime consideration of the colonial status. Spain did not settle her colonies, but her people came to live among the native population to rule over and exploit them. India today is a true British colony no matter what the legal fiction of their relations, though only an infinitesimal proportion of India's permanent population originated from the British isles. So are the Philippine Islands a colony of the United States as long as its governmental and economic policies are amenable to direct American control. Still the American-born element of the population is insignificant.

DIFFERENCES IN COLONIAL POLICIES OF SPAIN, FRANCE AND ENGLAND

Some writers have attempted to draw a distinction between the colonial policies of Spain, France and England on the crucial basis of numbers of their people who migrated to the New World. This is not the crux, but the effect of their respective national policies. Every investigation that starts with the number of colonists sent over as a basis for the determination of these policies must be inconclusive. It is certainly futile, if an attempt is made on that basis alone to establish why France was eliminated as a colonial power, why Spain's empire collapsed, and why the English colonies evolved into the great American republic.

With considerable truth Bolton and Marshall protest that "the notion sometimes voiced that Spain did not 'colonize' America is unfounded. Emigration to America was encouraged by subsidies and other means, and in early days large colonies were sent by government authority." [30] But both writers fail in their purpose because they have not grasped the significance of the relation between the social structures of the colonizing nations and the colonial policies to which they gave rise.

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[29] Ibid., Vol. I, p. 1299.

[30] The Colonization of North America—Bolton and Marshall, p. 21.

The question is not how many colonists were settled, but why they came which determines what subsequently they did. That France proved to be a poor colonizer is no reflection upon the stamina or the lasting powers of Frenchmen who left their native soil. It was the national policy which determined the issue for them, and that colonial policy was born out of the loins of the national social structure. One hundred and fifty years after France laid claim to territory in North America by virtue of Verrazano's expedition scarcely seven thousand of its hardy adventurers could be counted in the immense extent of Canada; and this despite great efforts by the central authority to populate their vast domain, even to the extent of supplying wives to the colonists already there.

"About a thousand of 'the king's girls' had been sent to Canada by the year 1672," wrote Professor Wrong. "As he sent in half as many more men, we need not wonder that a fortnight sufficed to ensure marriage for women who desired it. In 1671 six or seven hundred births led Talon to write that the sending out of marriageable girls might be suspended. In 1672, when there were barely seven thousand people in Canada, Laval estimated the baptisms and therefore the births of the year at eleven hundred. The women of New France then bore and ever since have borne large families." [31]

Yet despite Canada's hundred year start, together with the urgings of the King's ministers and the blessings of the Catholic hierarchy, when the critical moment came for the struggle between France and England for hegemony in the New World, the British colonial population was fifteen times larger than that of their opponents.[32] It can safely be asserted that both the French and Spanish governments took a more direct interest in the augmentation of their colonial population than did the English government. All three in the end lost their most valuable possessions, but by different routes. The science of history must establish indubitably why it was so by historical laws which must be equally valid for all.

VAST MIGRATION NOT ESSENTIAL FOR UPBUILDING OF A COLONY

Neither vast migrations nor a high birth-rate are essential to the development of a colony. James Truslow Adams writes this significant passage relative to the growth of the thirteen colonies during the eighteenth century: "There was little English immigration during the eighteenth century, the marvelous growth in population being mostly due to native births and to large influxes of Scotch, Irish, Germans, and to a lesser extent, Swiss. All these facts tended to make the American of 1760 feel himself more of an American and less of an Englishman than his ancestors had done some generations before." [33]

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[31] The Rise and Fall of New France—Wrong (1928), Vol. I, p. 396.

[32] The Foundations of American Nationality—Greene (1935), p. 375.

This is not valid even as a contributing factor to the making of the American Revolution. First of all, England today possesses many colonies whose population in the main is several generations removed from contact with the European soil; yet their loyalty is unquestioned as one can witness by the self-sacrificing support they are affording the mother country in the present hour of her extremity. The overwhelming evidence of history proves that patriotism, or at least loyalty, is not the accessory of propinquity, and mere looseness of political organization does not necessarily reduce the spiritual affinity of kindred peoples.

In the second place, Adams presumed too much on this colonial affinity for an America which did not really exist until long after. More correctly Beer writes: "The colonist, in general, regarded himself not as an Englishman, nor even as an American, but as a Barbadian, a Virginian, and so on throughout the entire list of British colonies. Thus the Empire was a loosely organized political structure, composed of a number of heterogeneous colonies with varying degrees of local self-government, all tending, however, toward virtual autonomy." [34] So contrariwise were the French and Spanish colonial systems predicated upon a very closely-knit political structure, yet neither of them survived the British in the ultimate formation of our continental United States.

Therefore the problem of the divergent course of colonial history cannot be resolved upon the basis of the character of the political organization. The answer must reside rather in the character of the social structure of the colonizing nations which gave rise to their distinctive forms of colonial organization.

How slowly the British adapt their colonial policy to changing conditions is observed by the fact that it required the passage of eighty years and a great Mutiny to boot, for England to transfer the control of India from a private commercial enterprise, the East India Company, to the British Crown.[35] Other fundamental governmental changes had to wait for the end of the First World War, while Ghandi and the British Government now entertain serious differences as to the time and nature of future fundamental changes

[33] The March of Democracy—Adams (1932), p. 55.

[34] British Colonial Policy, 1754–1765—Beer, p. 3.

[35] Europe and the Far East—Harris, pp. 235-6.

in administration. Up to 1924 the 300,000 square miles of Northern Rhodesia was the private domain of the British South Africa Company, and only at that time did it assume the status of a Crown Colony.[36]

INFLUENCE OF POLITICS, RELIGION AND GAIN AS MOTIVES FOR AMERICAN COLONIAL ENTERPRISE

Genghis Khan, or more correctly his great commanders, Sabutai and Samuka, with a vast Mongol horde traversed at one time the enormous extent between the walls of China and the banks of the Volga. Transient bands even penetrated as far as the borders of Germany and the shores of the Baltic.[37] That the Mongols were not lacking either in political cohesion or governmental organization is borne out by the fact, according to the great historian Gibbon, that a singular conformity may be found between the principles of government of Genghis Khan and that of Locke's famous constitution for the colony of Carolina.[38]

Tamerlane subsequently instituted a rigid regime which for sheer orderliness, even in the deserts, was superior to that of the best governed modern American municipality.[39] Still in a brief time the Mongol tide receded, the stately political edifice collapsed and seven hundred subsequent years have scarcely achieved that which barbarians had accomplished in government over that vast extent in a few generations.

The New World history posits these problems of universal history. Many of once flourishing native Indian civilizations have left behind only meagre and melancholy records of their former proud greatness. Great civilizations which once existed in Hayti, Santo Domingo, and up and down the vast extent from Mexico to the River La Plata give ample evidence of human capacity for achievement, as well as of its inability to retain the heights their collective genius had scaled. Gibbon pointed out the inexorable law of history which knows only two movements—to advance or to retrograde; there is no standing still, for the stagnant nation must continally fall behind its more aggressive neighbor until it itself is finally overwhelmed.[40]

Mass transplantation and governmental forms are not the clue to the analysis of American colonial history. None of the great colonial powers was moved by abstract considerations. No one doubts the

[36] World Almanac—1938, p. 590.

[37] The Decline and Fall of the Roman Empire—Gibbon, Vol. II, pp. 1203-9.

[38] Ibid., Vol. II, p. 1203.

[39] Ibid., Vol. II, p. 1254.

[40] The Decline and Fall of the Roman Empire—Gibbon, Vol. II, p. 1440.

tremendous influence of religious impulses which actuated many men in many ways. No one belittles the importance of the political factors which impelled the leaders of nations to support and guide the destinies of the imperial segments. Nor does any one brush aside the more subtle idealizations of an imperative economic system which ventures the furthermost limits of human endurance to realize that necessary increment above the capital advanced. The institutional requirements of religion, too, is a very practical consideration.

Yet in the final analysis, concrete and not abstract considerations governed the policies of empires. The historical archives of all the nations are replete with mountains of proof that every theoretical inclination was bent by the practical exigencies of the day. There comes a time when compromise could yield no further without losing the whole. Upon that rock the English colonies and the mother country split. At a certain point England and France had to settle accounts. At another the Spanish colonies felt the time propitious to throw off their irksome control. All the European powers eventually submitted with what grace they could muster to the dictates of history.

The results of this process are patent to all. But how this process was evolved will remain inscrutable in its innermost essence even to the most erudite historian unless he is armed with the key to its laws of motion. It is impossible to understand our colonial period unless we understand first the colonial policies of the great New World powers. Therefore we shall analyze in the following arrangement the colonial policies of Spain, France and England in order to demonstrate by their development the reasons which impelled inevitably the creation of these United States.

CHAPTER II

Spain's Colonial Policy

ARISTOCRATIC CHARACTER OF THE SPANISH GOVERNMENT

WITH the advent of Ferdinand and Isabella began Spain's ascent to that position of world hegemony which places her in the annals of history among the most powerful and extensive political aggregations known to man. Her spectacular rise to world dominance during the sixteenth century was followed by as rapid a decline in the seventeenth until from her position of pre-eminence she became the helpless prey of the conflicting ambitions of other European powers who had risen to greatness upon her ruins.

The Spanish system was one of unmitigated absolutism, and all the enormous possessions of that empire in every quarter of the globe was the private property of the reigning monarch.[1] The following language in the preamble of a typical decree is more eloquent than any other combination of words by the historian to express the nature of the Spanish regime: "Moved by the paternal love which all my vassals merit, even the most distant, and by the lively desire which I have felt since my elevation to the throne to make uniform the government of the great Empire which God has confided to me, and to place in good order, felicity, and defense my extensive dominions of the two Americas, I have resolved. . . ." [2]

Spain's great noble families, or grandees numbered but forty-nine in Philip II's time, and they owned all the country except that vast portion which belonged to the Church for the usages and benefit of the Church.[3] Three hundred years have elapsed since Spain began her precipitous descent from the heights to which a succession of brilliant rulers had placed her. For a brief period under the enlightened reign of Charles III in the second half of the eighteenth century Spain was restored to a semblance of her former greatness.

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[1] The United Netherlands—Motley, Vol. III, p. 515.

[2] Quoted from The Viceroy of New Spain by Smith, Univ. of Cal. Pub., 1913.

[3] The United Netherlands—Motley, Vol. III, p. 526.

But with his passing she relapsed once more into that fatal torpor which is the inevitable accompaniment of economic, political and intellectual stagnation.

In our own time during the present decade that noble people succeeded in throwing off the numbing lethargy of its institutions by the establishment of the Republican regime; but the vicissitudes of the ensuing Civil War have determined that once again stagnation shall bind its limbs and encompass its social structure within the limitations of an anachronistic Middle Ages regime, unless the progressive outer world shall help break down the barriers of their political, economic and ideological insularity. The epic siege of Madrid and the fall of Barcelona before the forces of Franco with the aid of Germany and Italy have crushed its resurgent spirit.

The first fruits of reaction afford eloquent testimony to the stakes involved in that sanguinary struggle. A wireless despatch reports among the initial decrees of Franco one ordering the return to the grandees of land seized by the late Spanish Republic for distribution among the peasants. In a parallel column the Pope hailed the triumph over the great dangers which threatened the patrimony of the Spanish Catholic Church.[4]

No more eloquent commentary could be written upon the nature of the conflict between the Loyalists and the Franco regime. The landed aristocracy and the Church have held unlimited sway over Catholic Spain, with few interruptions, for five hundred years, and in this simple fact is fraught the meaning of all its history, including that of its colonial possessions in what is now a constituent part of the United States. It is impossible to follow the course of its colonial history unless we follow the course of Spain's internal evolution.

POWER OF CLERGY AND ARISTOCRACY FOLLOWED EXPULSION OF MOORS AND JEWS

With the ascendancy of the aristocracy over the politics of Spain and of the vice-like grip of the clergy over the minds of its people there followed in quick succession the expulsion of the Jews and the Moors from the peninsula. Former great cities were depopulated, industry and commerce fell into decay, while the agricultural arts of the Moslem husbandman languished for want of his indefatigable labor. "Here was a populous nation in a favored land, but the foundation of all wealth was sapped by a perverted moral sentiment," wrote Motley. "Labor was esteemed dishonorable. The Spaniard, from the highest to lowest, was proud, ignorant, and lazy. For a people endowed by nature with many noble qualities—courage, temperance, frugality, endurance, quickness of perception, a high sense of honor, a reverence for law—the course of the national history had proved as ingeniously bad a system of general education as could well be invented." [5]

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[4] New York Times, March 7, 1940, page 2.

With the institution of the Inquisition all intellectual progress ceased, and to learn by rote the traditional story and repeat by heart became the quintessence of its culture. Yet at the outset this closely knit system of temporal and spiritual dominion worked wonders for its people. During the sixteenth century Spain properly stood at the forefront among the nations of the world. To fear the king and obey the Church was the simple lexicon of the Spanish people.

As Buckle pointed out, the source of Spain's greatness contained the seed of its future decay. This very unity of temporal and spiritual power, he wrote, "generates an acquiescence and stagnation of mind fatal to all real improvement, because it prevents that play and collision of opinions by which the wits of men are sharpened and made ready for use." [6]

Who could believe it possible that the nation which built the great Armada for the conquest of England would eventually have to ask of the intended victim of its depredation for shipwrights upon whose labor they relied to restore its fleet? [7] For ship-building had become a lost skill among the former creators of noble galleons. Long before that, silk-weaving, glove manufacturing, the woolen industry, all of which had employed over a hundred thousand skilled workpeople in the days of its greatness, were numbered among the lost arts of Spain.[8] Capital was driven out, and what remained was used for unproductive purposes, principally for ostentatious display and for the frequently recurring festive occasions. The surface of Spain soon became desolated while its armies and hordes of roving adventurers scoured the continent for treasure wrested by the sword.

SPANISH ADVENTURERS DIRECTED TOWARD NEW WORLD WEALTH

It did not take long for these roving adventurers to advantage the occasion of the New World's discovery. Gold, fabulous masses of easy gold, were to be got from inexhaustible mines worked by docile natives, after having first taken that which lay plenteously at hand. This was the key-note of Spanish colonial adventure.

[5] The United Netherlands—Motley, Vol. III, pp. 521-2.

[6] History of Civilization In England—Buckle, Vol. II, p. 51.

[7] Ibid., Vol. II, p. 80.

[8] Ibid., Vol. II, p. 57.

Englishmen, Frenchmen, the Dutch. all were fired by the quest for easy riches; only the Spaniard did not recover from that disease. To the very end her colonies existed principally for the enrichment of the sovereign authority. All else was incidental. In essence easy riches was the driving power of all colonial enterprise whatever its origin. But a great deal depended upon how that end was to be realized, whether by grubbing the surface wealth through native or imported slaves, or through the less spectacular but more certain, if gradual, returns of agriculture, industry and commerce.

"The opening of the New World," wrote Campbell, "has been called the greatest event in history. So perhaps it was, but to Spain it was the greatest curse. Before that time her people were tilling the soil, building up manufactures, and spreading their commerce, laying the foundations of a substantial and enduring prosperity. The wealth of Mexico and Peru changed them into a race of adventurers and robbers. Who would cultivate the land, or toil at the loom or by the furnace, when bold men across the seas were winning with the sword treasures of gold, silver, and precious stones, which they could not count, but measured by the yard?" [9]

At home poverty became so acute that the always loyal people had to revolt, not against the King—which God forbid!—but against his tax gatherers who wrung from them the very clothes off their back and the food from their mouths.[10] The ingenuity of ministers had resorted to a ten percent sales tax paid by the seller, and to selling the privilege of eating eggs on fast-days according to a special dispensation in a papal bull.[11]

Spain at the beginning of the seventeenth century had between ten and twelve million inhabitants. Of its total state revenue of sixteen or seventeen million dollars the greater portion of it was already pledged for usurious debts so that scarcely five million dollars remained.[12] From this meagre sum a spendthrift monarchy had to be supported and wars carried on. The result soon manifested itself in ill-equipped troops, while the rising power of France sealed the doom of Spain's continental empire on the battlefield of Rocroy.

The once great maritime power no longer found trained seamen for its meagre fleet. The art of navigation had been lost to the country which had once outfitted great exploratory expeditions. The frontier towns were neglected, their fortifications in ruins and their arsenals empty of both men and materials.

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[9] The Puritans in Holland, England and America—Campbell, Vol. I, p. 180.

[10] History of Civilization In England—Buckle, Vol. II, pp. 56-7.

[11] The United Netherlands—Motley, Vol. III, p. 520.

[12] Ibid., Vol. IV, p. 333.

No more ships were to be seen in desolate harbors or in decaying yards. And this of the nation which sixty years before had gathered the formidable Armada! The Spanish fleet then consisted of about one hundred and thirty vessels. "Sixty-five of them were very large for the time, the smallest being of seven hundred tons burden, while seven were over a thousand, and the largest was thirteen hundred. They were all built high, like castles, so as to present a formidable appearance, while leaving them, however, at the mercy of the elements. The upper works were bullet-proof, and the timbers four or five feet thick—thick enough, it was supposed, to resist any English cannon. These were the famous galleons, miracles of Spanish naval architecture." [13] This was the inevitable consequence of that unitary principle in the social structure so much desired today by the supporters of the monolithic and corporative states.

EXPLOITATION OF INDIGENOUS POPULATION KEYSTONE OF SPAIN'S COLONIAL SYSTEM

From the very outset Spain's colonial enterprise bore the aspect of primary advantage for the crown. Hence there followed extreme paternalistic care, counter-balanced by severe provisions for the division of the gains. Colonial trade was narrowly circumscribed, and controls established for its due regulation from the two ports of Cadiz and Seville. Gold, of course, was the chief object of their concern, but the meager yields soon compelled them to resort to the customary channels of trade in staple commodities.

Prescott comments upon the extraordinary foresight of Ferdinand and Isabella, who, devout Catholics as they were, took the precaution to obtain absolute ecclesiastical supremacy over the Church organization in their domains.[14] This was achieved quite regularly through the medium of papal bulls which placed in the hands of the Spanish sovereign the absolute disposal of all its dignities and emoluments in the New World.

Columbus found half a million native population in the two major islands of the West Indies. But so ruthless was the exploitation of their Spanish masters that in a short time the islands became almost depopulated of natives, through enforced labor, wars and diseases which they introduced among them.[15] The Spanish settlers engrossed the labor of the natives through the device of repartimientos, or the division of the land which entitled the holder to exploit the natives who lived upon it. In a letter home Columbus protested that under this system six-sevenths of the whole population had melted away before its rigors.[16]

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[13] The Puritans in Holland, England and America—Campbell, Vol. II, p. 93.

[14] Ferdinand and Isabella—Prescott, Vol. II, p. 136.

[15] The Colonization of North America—Bolton and Marshall, p. 22.

The Spanish crown on its own account, soon engrossed the entire New World trade for Spaniards in Spanish vessels under the strictest regulations and the severest penalties.[17] Local merchants protested in vain against the long list of enumerated articles in which they were forbidden to trade by the terms of an ordinance as early as 1501, all for the greater profit and security of the favored monopolists in the home country.[18] Well might J. T. Adams speak of the colossal profits Spain wrested from her colonies during the halcyon days before France, Holland and England rose to challenge her supremacy.[19]

CORTES AND PIZARRO THE HIGHEST EXEMPLARS OF SPANISH POLICY

Cortes and Pizarro carried on in the best of Spanish traditions. Whatever one's views may be of the larger aspects of their activities one cannot, despite the most vigorous efforts at moral indignation, but entertain the most lively admiration for the daring, the courage, and the intrepidity of these great leaders of men.

Writing of Cortes, Prescott expresses this well-nigh universal sentiment. "The events recorded in this chapter," he wrote, "are certainly some of the most extraordinary on the pages of history. That a small body of men, like the Spaniards, should have entered the palace of a mighty prince, have seized his person in the midst of his vassals, have borne him off a captive to their quarters—that they should have put to an ignominious death before his face his high officers, for executing, probably, his own commands, and have crowned the whole by putting the monarch in irons like a common malefactor—that this should have been done, not to a driveling dotard in the decay of his fortunes, but to a proud monarch in the plenitude of his power, in the very heart of his capital, surrounded by thousands and tens of thousands, who trembled at his nod, and would have poured out their blood like water in his defense—that all this should have been done by a mere handful of adventurers, is a thing too extravagant, altogether too improbable, for the pages of romance! It is, nevertheless, literally true." [20]

[16] Ferdinand and Isabella—Prescott, Vol. II, p. 138.
[17] The Colonization of North America—Bolton and Marshall, p. 65.
[18] Ferdinand and Isabella—Prescott, Vol. II, notes on p. 406.
[19] March of Democracy—J. T. Adams, p. 9.
[20] The Conquest of Mexico—Prescott, p. 349.

This quotation, besides its intrinsic interest, is equally important in indicating the gulf between anecdotal or biographical writing, and history proper. Appraisals of Cortes may well differ with every individual who undertakes to study his remarkable career. Judgments of a contradictory nature on moral, ethical, political and personal values will vary with the individual inclination. But no question can, or should exist, concerning the historic significance of Cortes' conquest.

We are concerned not with Cortes' personal fortunes as with Spanish policies which survive the peculiarities of particular conditions and the idiosyncrasies of particular individuals. At the very end of his spectacular career we find the indomitable Cortes standing as a humble supplicant before his emperor who views his application with cold indifference.[21] The long arm of the Spanish Court had reached out to pluck him from amid his reckless adventurers, the venerated leader of the group in the far-off land of Mexico, to answer the complaints of his rivals and his enemies.

For three years this conqueror of a vast empire traveled about in his native Spain awaiting the pleasure of the Court; this proud and haughty spirit whose blazing eyes had cowed multitudes of enemies. History deals not with individuals, but with the social systems of which they are a part, and while Cortes and Charles V may pass on, the system remained for their successors, freighted with all its glories and internal weaknesses.

NEW SPAIN ADAPTED ITS SOCIAL STRUCTURE TO THAT OF OLD SPAIN

Cortes and Pizarro were not unique in their frantic search for gold.[22] Every early English adventurer was lured on by the same avarice which excited the Spaniards to unexampled feats of hardihood and valor.[23] The gold rush to California and to Alaska in our later history are but evidences of this common defect, or should we say essential impulse, of our civilization. But it is precisely the difference between what the Spaniards and the English did in the New World after the first flush of avarice had expended itself either in satiation or despair, that is the decisive factor in evaluating the nature of their respective colonial policies. These were not improvised on the moment, or made out of thin air. They reflected the deep-seated, fundamental nature of their respective social sys-

[21] Ibid., pp. 675-6.
[22] Colonization of North America—Bolton and Marshall, p. 110.
[23] History of the United States—Hildreth, Vol. I, pp. 83-4.

tems, and the social structures they created in the New World represented the essential character of these differences.

The land does not make the man; at most it will simply modify him. Transplant to a virgin soil suitable to their existence a colony of Englishmen, Russians, Italians, Mongols or Patagonians. There is no doubt that within a brief time the general outlines of the social structure in which they were reared would soon be reproduced. That was the case with New Spain, New France and New England.

Each necessarily was modified from the original pattern in its new surroundings. The feudal relations which the philosopher Locke, and before him the merchant-minded Dutch, had attempted to transplant into the new world never succeeded in taking root because the historical conditions essential for that form of social organization—namely, limited land and the obvious force of the state —were lacking.

The spirit of the Spaniard, the Frenchman and the Englishman was not changed over-night by his new surroundings. The Spaniard came as a conqueror and he settled down as an oppressor. The Frenchman came without definite motives, and he allowed an empire to slip through his hands. The Englishman came to settle, and he built up an empire. These generalizations are too broad to encompass thus tersely the absorbing complications of national and colonial policies; but when these policies are whittled down to their essentials, this summary will be found to constitute the core of their histories.

But there is much more to the story than is expressed in platitudinous generalizations. The science of history differs from classical history precisely in refusing to accept the results and generalizing about them, but rather devotes its efforts to the discovery of the distinctive laws of social motion which account for the differences in the results.

COLLAPSE OF BYZANTIUM TURNED WESTERN EUROPE TOWARD THE OPEN SEA

Mankind seldom encounters much difficulty in discovering the best possible reasons for the worst possible acts. Europeans wanted access to the vast riches of the Indies as described in the awe-inspiring language of Marco Polo.[24] The fall of Constantinople before the Moslems sealed the fate of the Christian power at the gateway to Asia.[25] New routes by sea had to be searched out. As an indirect consequence America was stumbled on. Farrand quotes a famous passage to the effect that when found it was not wanted; and that much of its exploration was due to a persistent effort to find a way around it,[26] in the ceaseless search for a shorter route to India than the rounding of the African continent.

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[24] The Rise and Fall of New France—Wrong, pp. 6-7.

[25] Ibid., p. 10.

Pope Alexander VI in order to obviate misunderstanding between Spain and Portugal regarding conflicting claims to newly-discovered territory drew an arbitrary line for the Western Hemisphere and assigned the western part to the Spaniards,[27] and the eastern to the Portuguese, thereby establishing the claim of Portugal to Brazil. This was later ratified between the two governments, notwithstanding that by priority of discovery, that vast territory belonged, according to the code of the time, to Spain. This led Francis the First of France to demand petulantly "to see the clause in Adam's testament which entitled his brothers of Castile and Portugal to divide the New World between them." [28]

CATHOLIC AND PROTESTANT JUSTIFICATION FOR SUBSEQUENT COLONIAL POLICIES

Early writers were accustomed to justify the subjection of the New World to European power on very subtile grounds. In the eyes of the Catholic Church all Indians, being heathen, were its particular wards, and the territory which they inhabited was claimed by the Holy See to be disposed of to any temporal potentate who would undertake the burden of conquest.[29] The Protestant nations assumed a more practical attitude, holding that the earth was created for cultivation, and that Providence never intended that hordes of savages should wander through the wilderness unable to enjoy the fruits of the soil, and yet prevent civilized man access to its munificence, while sharing its blessings with the aborigines placed under his care.

That the Catholics took their proselyting mission close to their heart is abundantly demonstrated by the number of French and Spanish priests and nuns who carried on unceasingly, often amidst the greatest privations, their saintly office among the Indians. Yet all their noble sacrifices sufficed only to cloak the real purpose of the colonists, which was subjugation and exploitation.

[26] Development of the United States—Farrand, p. 2.
[27] History of the United States—Hildreth, Vol. I, p. 49.
[28] The Conquest of Mexico—Prescott, p. 625.
[29] Ibid., pp. 275-6.

Our own inimitable Diedrich Knickerbocker, speaking through Washington Irving, has some biting things to say upon the moral pretensions of the white man as based on the various rationalizations such as discovery, the savage nature of its original occupants, the need for cultivation, and above all, the edifying spread of Christianity among the benighted Indians. They had on their side Grotius, Blackstone and Jesus, but their best claim may be entitled the right by extermination, or in other words, the right by gunpowder. "Thus," concluded that commentator, "were the European worthies who first discovered America, clearly entitled to the soil; and not only entitled to the soil, but likewise to the eternal thanks of these infidel savages, for having come so far, endured so many perils by sea and by land, and taken such unwearied pains, for no other purpose but to improve their forlorn, uncivilized, and heathenish condition—for having made them acquainted with the comforts of life; for having introduced among them the light of religion; and, finally, for having hurried them out of the world to enjoy its reward." [30] We marvel at the vagaries of the human intellect four hundred years ago, just as four hundred years hence, it is hoped, our successors will smile at the current apologetics for war, poverty, universal misery and exploitation. What a wondrous mechanism is this human intellect!

ROLE OF SPANISH CONQUISTADORS AS AGENTS OF THE KING

To conquer and despoil the country of its surface wealth was the immediate objective of the Spanish conquistadors. "To carve out provinces with the sword; to divide the wealth of empires; to plunder the accumulated treasures of some ancient Indian dynasty; to return from a roving expedition with a crowd of enslaved captives and a profusion of spoils—soon became ordinary dreams." [31] Many perished miserably, and none more pitifully than De Soto, the associate of Pizarro and the Governor of Cuba, who had the misfortune to follow the upper reaches of the Mississippi Valley in the vain search for the elusive metal. Having boasted of conquests which would outshine those of Mexico and Peru he could not turn back, and persisting, found rest only in the waters of the Mississippi where his grieving followers buried him to save the mortal remains from the vengeance of the Indians who had fled before his unconquerable spirit.

[30] A History of New York—Irving, p. 50.

[31] History of the United States—Bancroft, Vol. I, p. 22.

Others more fortunate had taken a westward course to found New Mexico and subject the Indians to a cruel slavery in the mines where they toiled unceasingly until beneficent death brought surcease to their torments. Yet none of these hardened adventurers felt secure in their remoteness unless they carried with them the authority of royal consent. The spirit of old Spain was as ubiquitous in the mountain fastness of the New World as it was within the confines of the royal palace. The writ of the king and the blessing of the Church was as essential as the musket in their hands. The wealth of the New World was poured out before the royal eyes to covet their master's approbation; wealth in the most highly crystallized meaning of the term.

Few indeed appreciated that the humble fruits of the earth, nurtured with care and gathered in season, represented recurring wealth which far outshone the glittering metal and gaudy jewels. "The period which we are reviewing," wrote Prescott, "was still the age of chivalry; that stirring and adventurous age, of which we can form little conception in the present day of sober, practical reality. The Spaniard, with his nice point of honor, high romance, and proud, vain-glorious vaunt, was the true representative of that age. The Europeans, generally, had not yet learned to accommodate themselves to a life of literary toil, or to the drudgery of trade, or the patient tillage of the soil. They left these to the hooded inmate of the cloister, the humble burgher, and miserable serf." [32]

Upon one of those rare occasions when a Spaniard did revolt against the royal authority, as did Gonzalo Pizarro in Peru, he was overcome finally by the quiet determination of a priest who had mastered the art of that subtle but unrelenting policy which wins by spiritual weapons where those of violence would surely have failed. The Spain of the New World cannot be understood unless we study it in full view of the Spain from which it derived its moral and spiritual sustenance.

SPANISH CONQUERORS INTRODUCE PEONAGE

But there came an end, even to the riches of Mexico and Peru. Ultimately the adventurers had to face the tedious problem of its recreation. Having come as conquerors, they remained as its masters. First the land was distributed among them and the native population was condemned to remain as peons on the land of their fathers by the cruel system of repartimientos.

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[32] The Conquest of Mexico—Prescott, pp. 536-7.

The beneficiaries of these grants, or ecomenderos, were required to assist in the common defense and to promote agriculture. "Wherever the Spaniards settled," wrote Bolton and Marshall, "they planted their political, religious, economic and social institutions. . . . Much of the actual work of control was accomplished through native chiefs, who were assigned Spanish offices and held responsible for good order and the collection of tribute. This method was later adopted by the British in India." [33] The condition of the natives became that of virtual slavery, while their numbers were rapidly being decimated by this civilizing process of the Spanish character.

So brutal was their exploitation that protests poured forth from some Spanish churchmen, foremost among whom was the celebrated Las Casas. It was he, who out of the wholesome goodness of his heart advocated the substitution of Negro labor as more suitable for the vigorous tasks imposed upon the Indian by his Spanish master, and thus this good priest was instrumental in fastening upon America the curse of that Negro Slavery which looms so large in our history.[34]

The word slavery was not tolerated in Catholic New Spain, and by formal decree was suspended in Mexico where conditions were laid down for their freedom upon the death of their master.[35] A similar step was taken for Peru.[36] But where necessity, in the form of material interests, clash with moral considerations, ways and means were soon discovered to circumvent the virtuous resolve of Charles V, the Catholic. Even the mild and just Gasca was compelled to recognize that under the social conditions then obtaining the problem resolved itself into slave labor or disintegration of the incipient empire.[37]

One of the early Spanish governors, Ovando, "had been ordered to treat the Indians as free men and subjects of the king and queen, but he soon had to report that if left to themselves they would not work even for wages, and withdrew from all association with the Spaniards, so that it was impossible to convert them." [38] The same writer also reports upon the rapid decimation of Espanola from about two hundred and fifty thousand when discovered by Columbus in 1492 to only five hundred in 1548 and a bare two villages in 1570.

Cruelty, war, hard labor, disease and famine had worked their toll.[39] In Peru official regulations carefully detailed the nature and circumstances of the Indians' labor in the mines. Enforcement of regulations for humane labor apparently was unknown, or at least uncertain. Obviously they were ineffective, for the reports offer substantive evidence that the lot of the Peruvian Indian was even worse than that of the Mexican.[40]

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[33] The Colonization of North America—Bolton and Marshall, p. 34.

[34] The Conquest of Mexico—Prescott, pp. 204-5; The Conquest of Peru, p. 1225.

[35] The Conquest of Peru—Prescott, pp. 1122-4.

[36] Ibid., p. 1139.

[37] Ibid., p. 1225.

[38] Spain In America—Bourne, p. 209.

NEGRO SLAVERY IN NEW SPAIN

Eight years after the discovery of the New World Negro slaves were introduced into it. In time there developed those famous, or infamous, assientos or contracts between Spain and a foreign power; for the monopoly of the slave trade was now found essential as a source of plantation labor. The nature of the contractual relation compelled keeping careful records, and so we have the deliberate notations which prove that between 1550 and 1750 over six hundred thousand of this human cargo was imported into the territory of the Lord's Anointed, not counting those who were smuggled in.

That the Negro did not thrive in the New World was not the fault of nature, but of his masters. Humboldt calculated in 1808 that the number of Negroes in Spanish America was seven hundred and seventy-six thousand, proving that this prolific race was barely holding its own under the rigors of their exploitation, and whose numbers increased only by importation.[41] The field was being rapidly set for New Spain to relapse into that languor which eventually overtook Spain in Europe. The social classes were set; the colonial policies were fixed. The government was strong and determined. There was nothing left to do but to allow time and nature to work its inevitable end.

With the subjugation of Mexico and Peru there followed the slow, methodical spread of Spanish sway to the north and south of those two centers of its American empire. The official Spanish geographer, Lopez de Velasco reported in 1574 upon the number of its towns, the character of its mining camps, and the distribution of the population. Spaniards numbered about 175,000. The large estates numbered 4000. Of Negro slaves 40,000 had already been accumulated, while 5,000,000 Indians paid tribute to their masters. In many parts the encomiendas had disintegrated, because the native population had succumbed from the rigors of their exacting labor. The ordinary mundane pursuits of small town life had sprung up, sufficient to sustain the type of society for which New Spain was destined.[42] The data for 1574 would be repeated in 1584, and in 1784, and in 2084 in varying scale, barring foreign conquest or internal disturbance, or the operation of social forces beyond the ken of the high and mighty.

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[39] Spain In America—Bourne, pp. 213-14.

[40] Ibid., pp. 263-4.

[41] Spain In America—Bourne, p. 275.

Even these would be of a local character, since every element of the transplanted social structure was built for solidity and planned for eternity. Agriculture, industry, commerce—all was intended to supply and support the state and the ideological superstructure. The state was an aristocracy, and its ideology was definitely circumscribed by the Church. Every element tended for social repetition and stagnation. External forces in the form of English, French and Dutch merchants were kept from its doors. However Spain might deteriorate at home and abroad, for three hundred years she succeeded in maintaining herself intact in the New World until the Napoleonic thunder shook her to the very foundations at home and set toppling over the colonial empire she had succeeded in holding together by sheer mass inertia.

HARDENING OF THE SOCIAL ORGANIZATION IN SPAIN'S NEW WORLD EMPIRE

Many writers have adverted to what one calls the two fatal weaknesses of the Spanish system: "the wretched restrictions of trade and the lack of initiative and self-government." [43] The fatal defect of that method of historical analysis is that the writer selects from the conglomerate mass of historical records some data which supports his own theory of what constitutes a perfectly rational theory of colonization. Some of its constituent propositions might have been obtained from the experiences of other colonizing nations like the English, French or the Dutch. Some of them might have been evolved from the inner recesses of his own consciousness. At any rate he constructs a logical pattern and then refers the development of the Spanish colonies to this product of his subjective rationalization.

Spain is found to be fatally defective. No attempt is made—because no connection is perceived—to demonstrate that these so-called fatal defects were the logical and inevitable result of the social forces dominant in that particular country.

The colonial policies of the various nations were characteristic of their own dominant social forces. It would be just as absurd to attempt to inter-change their individual defects for their respective virtues as it would be to graft on to a rose bush the qualities of an oak. Each developed in accordance with its specific nature. True, they had many things in common, but history is concerned more with their differences, rather than with the likenesses of its phenomena.

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[42] Colonization of North America—Bolton and Marshall, p. 75.

[43] Editor's Introduction to the American Nations series—Vol. 3, p. XVII.

This amiable, but fatal vice of historians is typical in Bourne's comparison of English and Spanish trade policies. He remarks that when England captured and held Havana for a year in 1762, she opened that port to all its ships, with the result that there followed an enormous accretion to its commerce over the carefully regulated control of the Spaniards. This led the enlightened Charles III of Spain—a rare product for the Spanish monarchy—to ease commercial restrictions when Havana was returned with the result that its genuine prosperity dated from that period on. "It may be questioned," Bourne concluded, "whether in any other country such radical and extensive relaxations of the restrictions on colonial commerce were ever made in so short a time as those in Spain under Charles III. It is one of many illustrations that whatever the drawbacks of despotic government it possesses a distinct advantage over more popular systems in the rapidity with which political, commercial and social reforms may be brought about." [44]

This same thought is expressed by those who compare the lightning strokes of modern totalitarian states with the more hesitant gestures of the democracies. But apparently Professor Bourne had forgotten his Buckle, or did not take that philosophic historian's observation to heart "that this and many other noble projects were nipped in the bud by the death of Charles III, with whom every thing vanished. When he passed away, the country relapsed into its former inactivity, and it was clearly seen that these great works were not national, but political; in other words that they were due merely to individuals, whose strenuous exertions always come to naught, if they are opposed by the operation of those general causes, which are often undiscerned, but to which even the strongest of us do, in our own despite, pay implicit obedience." [45] Institutions which develop out of individual genius too often perish with him unless they are deeply rooted in the spirit of a people. The secret of Spanish colonial history is to be sought not in the drawing of fatal comparisons but in the analysis of the social forces which brought forth those particular conditions.

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[44] Spain In America—Bourne, p. 297.

[45] History of Civilization In England—Buckle, Vol. II, pp. 99-100.

EFFECT OF SPANISH TRADE MONOPOLIES

Foremost among Spain's policies were the restrictions on trade. Ferdinand and Isabella attempted a broad policy which would throw its commerce open to all its subjects, but the inertia of Spanish custom soon asserted itself. There did not exist, there could not grow within the womb of that closely-knitted aristocracy a commercial class which eventually would have come to grips with the ruling class for supremacy in the state.

True, Spain had enjoyed the development of chartered towns during the early Middle Ages. Representative government was actually established in Castile and Aragon one hundred years before the institution of the House of Commons,[46] but these were voluntary grants of the monarch, and not concessions wrung by a determined class with arms in their hands. Just as six hundred years later the wise reforms of Charles III lapsed for lack of a social class powerful enough to carry them through, so fell into disuse the ancient privileges of town and people.

Ferdinand and Isabella planned an enlightened commercial policy when there were no merchant and burgher class to carry it through; and with the advent of their autocratic and bigoted successors, the narrow views of the crown prevailed over the larger interests of Spain as envisaged by those far-sighted rulers.

Motley perceived with the true instinct of the historian the social conditions upon which Holland's future commercial and imperial greatness was built. At the time when Columbus was dreaming about his enterprises, the Dutch municipal power rested firmly in the hands of the burgher class not only in the cities but often in the provinces. Industry had created wealth, while the impoverished nobility took pleasure in squandering it. "Commerce had converted slaves into freemen," wrote Motley, "freemen into burghers, and burghers were acquiring daily, a larger practical hold upon the government. Although with an oligarchical tendency, which at a later period was to be more fully developed, they were now composed of a large number of individuals, who had raised themselves by industry and intelligence, out of the popular masses. There was an unquestionable republican tone to the institutions. Power, actually, if not nominally, was in the hands of many who had achieved the greatness to which they had not been born." [47]

The same Spanish despotism which recreated itself so admirably in the New World, succeeded for a time in crushing republicanism in the Old World, but in time the self-same humble merchantmen experienced the ineffable delight of assisting the English in sweeping from the seas the proud grandees with the remnant of their Invincible Armada which the elements had spared.[48]

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[46] Ibid., Vol. II, p. 107 and Vol. I, p. 446.

[47] The Rise of the Dutch Republic—Motley, Vol. I, p. 37.

THE WISE POLICY OF SPAIN'S FEW ENLIGHTENED RULERS DEFEATED BY INERTIA OF ITS DOMINANT SOCIAL SYSTEM

Spain's social system survived the wisdom of their temporary rulers. Even Ferdinand and Isabella provided that all trading vessels bound for the New World must start from and return to the port of Cadiz. In 1503 Seville was given the monopoly of this trade, and despite the fact that it was situated some distance up a shallow river vessels were compelled to go thither nevertheless, and thus for over two hundred years that city enjoyed a monopoly of the Indies trade.[49]

For a time Charles V authorized sailings from certain other ports, with the proviso that on their return they must report at Seville; but Bourne doubts whether that relaxation upon the rigors of trade regulations ever went into effect, or at any rate to a very limited degree. Later the royal favor recognized the work of nature and Cadiz was restored to its long-lost privilege of engaging in overseas trade.

Colonies, of course, were denied the privilege of sending their goods to any market of their choosing. The requirements of such rigid control, besides considerations of safety from depredations of enemies and pirates, impelled the institution of the convoy system and sailings at stated intervals. Obviously the very strictness of these regulations put a premium on all forms of illicit trade, from downright smuggling to underhand dealings of the officials concerned. Restrictions of trade also led to exorbitant prices.

Arrival of ships was eagerly awaited and the merchandise disposed of at fairs held at the emporiums of trade. "During the fair," wrote Bourne, "which, for sanitary reasons, was limited to forty days, the town was so crowded that a single shop would rent for $1000 and large houses for $5000. While the ships were unloading, long droves of mules loaded with boxes of gold and silver, each drove numbering over a hundred, were threading their way across the isthmus." [50] Bolton and Marshall tell of the dissatisfaction which this system created, but the Spaniard's resentment seldom took the direction of organized protest, and never of revolt.[51] All his vaunted pride permitted him to do was to plead abjectly to the sovereign power and submit in the same spirit.

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[48] The United Netherlands—Motley, Vol. II, pp. 484-495.

[49] Ferdinand and Isabella—Prescott, Vol. II, pp. 136-7.

Most of the smugglers were of English, French, Dutch and American colonial origin. After two hundred years the first official breach around the hermetically sealed Spanish colonies came in 1713 when a small English ship was permitted an annual call. At the same time our virtuous English traders, acting through their government, put through the famous Assiento whereby noble Britons were given the inestimable privilege of bringing to the Spanish market four thousand eight hundred Negro slaves per annum.[52]

SPAIN'S DELIBERATE RESTRICTIONS UPON COLONIAL COMMERCE AND INDUSTRY

Spain's deliberate policy was to restrict colonial industry and make the colonists dependent upon the mother country for manufactured goods. "The real burden," writes Bourne, "which lay upon them was not that of intentional oppression, but that of unintelligent commercial legislation, which sacrificed the colonial opportunities to the protection of the manufactures and trade of Spain. A vastly larger sum could easily have been borne if the unproductive restrictions of the trade legislation had been relaxed earlier and more completely." [53] One marvels how one hundred and fifty years after the publication of Adam Smith's Wealth of Nations, there should still exist doubt as to the purpose behind that so-called unintelligent legislation. That its aim, directed at the conservation and building up of national industry, was highly rational and extremely necessary, cannot be gainsaid. As we shall discuss this in detail during our analysis of the English colonial policy only this conclusion, which appears arbitrary, perhaps, when put in naked form, will be stated.

But all this talk on trade and manufacture restrictions then, as well as tariff and commercial agreements today, is based upon the unproved notion that the primary purpose of capitalism is to buy cheap rather than to produce a profit. If buying cheaply interferes with profits, there is the fact of our colonial history to prove which of the two is thrown into the discard. And lest one's eye gleam with satisfaction over the consequences of that policy, we shall discover that the sovereign United States was not averse to adopting restrictive measures of a similar nature in order to protect its industries.

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[50] Spain In America—Bourne, p. 292; His is a very concise and authoritative presentation of the problems involved.

[51] The Colonization of North America—Bolton and Marshall, p. 65.

[52] History of the United States—Hildreth, Vol. II, p. 276.

[53] Spain In America—Bourne, p. 241.

Offhand, Bourne may point to the enormous increase of trade following the opening of Havana to British ships. But he fails to remember that it was British, and not Spanish merchandise which flooded Latin America. All that we are concerned with at the moment is his own admission that Spain's colonial trade policy was directed with the aim of preserving that market for her manufactures and her commerce.

Even the great reglamento of 1778 so beloved of free traders allowed in its Article XXII certain abatements of duties on goods of Spanish manufacture.[54] The great reform was of limited duration, and in any event came two hundred and eighty years after the basic colonial policy had been established.

The Casa de Contractacion was the Spanish equivalent of England's famous Board of Trade, which acted as a commercial court and clearing house for American trade.[55] Its primary purpose was to safeguard the national interests entrusted to it. That eventually those interests clashed with that of the colonists was due to historical factors beyond its range, and certainly not within its control.[56] When revolution finally reached even Latin America, it pursued a path vastly different from that followed in the English colonies, and with consequences which continue down to modern times. To this day Latin America economically is a colony of European-American (United States) imperialism for reasons we shall later discuss.

According to the dominant mercantilist theory, as dictated by economic necessity, Spain succeeded admirably in limiting her colonial population to farming, grazing and mining. The naturally rich soil allowed for the prodigious breeding of European cattle, such as horses, horned cattle, sheep and swine. Since their raising cost practically nothing, they were slaughtered for their hides, hoofs, and fat; a fact which is characteristic of all virgin prairie lands, such as was observed in our own West, and in the steppes of eastern and southeastern Russia of centuries ago.

Manual labor was not for the whites, and an hierarchy of shades of whiteness was the inevitable result. The pure-blood looked with

[54] The Viceroy of New Spain—D. E. Smith, p. 252, Univ. of Cal., publ. March 1913.
[55] Ibid., p. 214.
[56] Spain In America—Bourne, p. 222.

contempt upon the creole, and both took it out of the hides of the natives. Spain's rulers had long ago learned the maxim of divide and rule, and therefore looked with equanimity upon the evolution of social gradations as essential toward the maintenance of their authority. Britain merely repeated in India the policy of Spain in Latin America, while both followed in practice the pragmatical statecraft of imperial Rome.

FINANCIAL INDEPENDENCE OF SPANISH CROWN IS SUSTAINED BY RICH COLONIAL MINES

Mining was the special concern of Spain's rulers, since from that source they obtained an ever-flowing stream of revenue. The king received as royalty one-fifth on the yield of gold and silver mines. The colonies, it must be remembered were the private property of the ruling house. "Spanish America," wrote Bourne, "did not belong to Spain, but was part of the hereditary domains of the sovereigns of Castile as heirs of Queen Isabella, with which the Cortes of Castile had little more to do than with the kingdom of Naples or the Netherlands." [57] This independence of the crown from the Cortes for a large part of its revenue was one of the predisposing factors in sustaining that despotism far beyond the time when it had performed its historic mission.

Thus the exploitation of its colonies tended toward sustaining the stagnation of Spain itself. One has but to consider the historic consequences of the control wielded by the House of Commons over the English purse-strings to appreciate the significance of Spanish royalty's financial freedom. Even the great French Revolution came to a head because Louis XVI's treasury was empty and the old sources of revenue were drying up.[58] The king called together the States-General in 1788 for the first time since 1614 in order to consider the problem of how long the Royal Treasury could go on paying its obligations three-fifths in cash and two-fifths in paper bearing interest.[59] Upon the fatal day a portion of that gathering, the Third Estate, transformed itself into the National Assembly, and thereby doomed the old order.[60]

The King of Spain happily was freed from sole reliance upon the Cortes for funds. The revenue from the mines was not his only source. A sales tax of from two to six percent was in force; the exploited peon paid a poll-tax for the right to live; there were export and import duties of various sorts and dimensions. In 1796, the royal revenue from New Spain amounted to $19,400,000, of which the mining royalties were about $3,500,000. No more perfect system could be devised for keeping intact a somnolent, hibernating imperial system.

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[57] Spain In America—Bourne, p. 221.

[58] The French Revolution—Carlyle, pp. x, xi.

[59] Ibid., p. 88.

[60] Ibid., p. 127.

INHUMAN EXPLOITATION OF THE NATIVES

Many histories have been written about the conditions of the Indians in Latin America. The inhumanity of their exploitation has been sufficiently exposed. Occasionally, when an appropriate situation presented itself even peons revolted. Among them is the record of the retribution wreaked upon their exploiters by the Pueblo Indians who labored in the mines of New Mexico. They slew four hundred Spaniards and drove the remaining 2200 from the Pueblo district.[61] But eventually they were reconquered, and after exacting merciless vengeance upon the natives, the remainder were returned to the mines from which, like the burros, they never emerged into the light of day.

Bourne remarks that while the transplantation to America by the English colonists of the political institutions with which they were familiar is one of the recognized fundamental facts of history, it is not so generally recognized by historians that the same situation was created by the Spanish-American colonists.[62] He is unaware that in this statement he has also made an indictment against the entire method of historical teaching and writing. But that is not all. Unimaginative, or rather uncreative writers have often followed out rigid analogies between colonial institutions and those of the mother country without any attempt toward the consideration of their differences and the conditions which brought them about.

The Spanish colonies stand on a far different footing than that of the English. Differences in their historic development can be traced to their fundamentally different social structures, which was reflected not only in divergent colonial policies of their home governments, but in the social institutions which they respectively developed in the New World. Besides the many other distinctions one has but to remember that the Spaniards came to conquer and remained to exploit the native population. The English came to take the land and remove the native population even to the point of extirpation, in order to create for themselves individually-owned plantations or farms, with the local industries and commerce which necessarily follow. A world of difference in their political institutions must result, and that is what inevitably happened.

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[61] The Colonization of North America—Bolton and Marshall, p. 245.

[62] Spain In America—Bourne, p. 221.

PRINCIPLES OF SPANISH ADMINISTRATIVE POLICIES

Spanish America was divided substantially into two kingdoms, New Spain and Peru. New Spain included all the crown possessions from Venezuela northward, while Peru included all the rest of South America, excluding the Portuguese colony of Brazil. The viceroy was empowered with all the authority of the king, for whom he acted as his personal representative. In that capacity, the viceroy held within his hands all civil and military authority.

As the civil head of the government he had absolute control over the levying and collection of taxes, from whatever source, real or personal, from property, income and movable goods.[63] As an incident of this financial policy there followed the responsibility for public improvements, which meant the direction of all public works necessary for the civil authority, such as buildings, roads, fortifications, arsenals, public markets, and even the laying out of new town sites.

Regarding trade, commerce, and the nature of permissible agriculture and industry, the larger policies were carefully laid down by the Madrid government acting through the Casa de Contractacion, or India House, established first at Seville and later at Cadiz. The viceroy possessed merely supervisory and administrative functions upon matters which went to the essence of the Spanish colonial policy. Among his civil prerogatives the viceroy was the president of the supreme court or audiencia, with power over the lower courts.

Obviously this system was the result of a long process of development, with considerable modifications dependent upon the character of the viceroy and the pliability of the master whom he served. His term of office was for three years, subject to the pleasure of the king who could shorten or extend the period. The first two viceroys served fifteen and fourteen years respectively, while from 1535 to 1821 sixty-two viceroys held the office.[64]

Military authority was placed exclusively in the viceroy's hands. In fact, his primary function was that of a military leader, and secondarily as an administrator. Invariably the road to the viceroy's palace led from the army command. It is immaterial in the consideration of the Spanish colonial structure whether or not the viceroy came from the military rank. The office made the man, and by virtue of that office he was captain-general and therefore commander-in-chief of all military forces.

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[63] The Viceroy of New Spain—Smith; Univ. of Cal., pub. Chapter I contains an exhaustive analysis of the vice-royalty during the second half of the eighteenth century.

[64] Spain in America—Bourne, p. 230.

In order to render the king's control of his private property in the colonies absolute, his representative was also civil head of the church. We have already observed how carefully Ferdinand and Isabella, good Catholics as they undoubtedly were, made certain that the crown would not have to contend with the papacy for temporal power in the New World. To the Church was left intact its ministerial functions, but nothing of a political character was entrusted to the direct representative of Rome. Intermittent struggle between the Escurial and the Vatican for the maintenance of this policy followed the fortunes and personalities of their respective occupants, but the basic division with minor changes remained intact during the three hundred years of Spanish rule in America.

METHODS OF ROYAL CONTROL OVER ITS NEW WORLD VICEROYS

Mankind's extensive experience with the tendency of power to grow upon the thing it feeds, led the Kings of Spain to establish checks and balances upon their vice-kings in the New World. First of all there were the carefully worked out rules and the specific instructions intermittently transmitted by the monarch to his representative. "I obey but do not execute" is an ancient recourse of the bureaucrat where by devising multitudes of inquiries, interpretations, authorizations and clarifications it becomes possible to conceal underneath the cloak of solicitude for authority its indirect defiance. Legislation in our Anglo-Saxon meaning did not exist, and all laws were edicts of the King generally issued by the Council for the Indies.

Gradually there was developed the audiencia which was a combination of supreme court and governor's council. Its powers were elaborated by the Council and in course of time it came to rival the viceroy in extent of its dignity. "The policy of the Spanish government in looking upon the viceroy and the audiencia as mutual checks upon one another led to the necessity of settling disputes between them in the Council of the Indies. Sometimes these disputes were grave ones involving matters of jurisdiction, and sometimes they were mere questions of precedence and etiquette. . . .

It was evidently the policy at Madrid to confer upon the viceroy all possible dignity and maintain him in that dignity against all opposition, but never to allow him a disproportionate amount of power." [65]

Prescott gives an absorbing account of the conflict between the two powers, where the ascendancy of the one was at the expense of the other, and both to the detriment of any movement for popular assertion of power.[66] While the viceroy was president of the audiencia his vote carried no more weight than that of any other member, nor did he have the right to set its decision outside. All he could do was to petition home for redress or rectification.

All administrative officers, including the viceroy, had to undergo a residencia, or inquest into their conduct during the incumbency. Commissioners were appointed for that purpose and all having complaints had the right to appear before them. The viceroy's residencia was limited to six months. Like so many other noble experiments the theory overleaped its practical consequences. There was no protection or assuredness from subtle reprisal for the complainant, and frequently commissioners, Council members and advisers of the King were in connivance with the viceroy upon matters vital to their interest. "A viceroy of Peru compared the residencia 'to the whirlwinds which we are wont to see in the squares and streets, that serve only to raise the dust, chaff, and other refuse and sit it in our heads.' Sometimes favor at court exempted a viceroy from a residencia." [67]

The conflict between these balancing powers led to that enormous correspondence which is characteristic of a bureaucracy, which feels safest in doing little if doing nothing will not suffice. Hence the cumbersome regulations governing the minutest details which allowed infinite opportunity for procrastination while presumably engaged in elucidation.

As a check upon the local organs every three years auditors were sent to make a tour of inspection to inform himself minutely upon the economic and social welfare of the people, the religious practices of the natives, upon weights and measures, the purity of the apothecaries' drugs, and similar detailed matters. Autocracy on the one hand spelled paternalism on the other, and the Spaniard was acclimated to both. In matters of purely local concern the local authorities were granted a considerable measure of self-government, but the real test of the political maturity of a people is its ability to govern itself as a people. In that larger respect they were the most humble subjects of majesty in actual or representative form.

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[65] The Viceroy of New Spain—Smith, pp. 153-5.

[66] The Conquest of Peru—Prescott, p. 1136.

[67] Spain In America—Bourne, p. 232.

No measure of that larger self-rule was permitted in the Spanish world, while it grew from the soil itself, apparently, in their English colonial counter-parts, Charles V and after him Philip II permitted that in the founding of new towns citizens might elect their town councils, but since in Spain these councils became a close corporation in which membership was inherited or purchased, the same policy was followed in Spanish America.

Every precaution that human ingenuity could devise to insure stagnation and death by slow strangulation in a progressive world, was patently followed by Spain at home and abroad with consequences for both which continue on to the present day.

STRATIFICATION AND STAGNATION OF SPANISH COLONIAL SOCIETY

Occasionally some far-sighted viceroy, conscious of the need for employing the Spanish population of various degrees of whiteness in occupations suitable to their station, petitioned for the right to develop local industries. But this the home authorities crushed with a firm hand. Nothing was to interfere with Spain's manufacture—such as it was—nor with the privileges of its merchants. Humboldt tells us that in his travels through Spanish America, he came upon only a single merchant of non-Spanish origin. During the latter half of the eighteenth century Spaniards had already lost the verve and dash of their forebears even in exploration, and were content merely to maintain the status quo.

Louisiana came to Spain after the peace treaty of 1763, which she accepted very unwillingly from France, pressed to that by the fear that the enterprising English would obtain it and constitute a threat to their empire from that source. Her extension to California was only in an effort to prevent further penetration of the Russians southward from Alaska. Everything had already settled into its pre-ordained groove. Whatever unusual energy one possessed had either to be repressed or expressed in illegal fashion. Drunkenness was a common vice. Robbery and banditry was the consequence of ennui, as much as of the desire for another's wealth.

Existence for the Spaniard in the New World, was probably as pleasant and easy-going as was to be found in few places of the then civilized world. Decrepitude had traveled from the national center to its colonial extremities.

Society in Spanish America was an hierarchy consisting of several distinctive layers, with divisions drawn by birth rather than by ability or personal distinction. Of first rank, naturally, was the ruling hierarchy of pure Spanish blood headed by the viceroy. Invariably he was a grandee or one of highest social distinction at home. "Perhaps it would be inconsistent with Spanish notions of honor to have allowed the King to be represented by any but one of the bluest blood and of high military rank, but whatever the reason may have been, the viceroys of New Spain and of Peru were in the main aristocrats and soldiers." [68] The Catholic Church's organization represents an hierarchy peculiar to itself.

The whites were divided into European Spaniards and the American-born Spaniards or creoles. "The word creole, contrary to a prevalent idea, indicates nothing as to blood, but only connotes the place of birth; there were creole whites and creole Negroes, the latter being thus distinguished from the Bozals or African-born Negroes." [69] Below the whites were the mixed breeds of Spanish and Indian parentage or mestizos, and Spanish and Negro parentage, or mulattos. Next in the social gradation were those of Indian and Negro parentage, and lastly the Negroes.

We have already noted how the various types of labor were graded according to the breed, from blue-blood to pitch black. Of course, not blackness, but condition, was the criterion. Negroes of various hues followed the condition of the mother; if she was a slave, they were slaves.

Slavery was the status of the Negro. No Indian could be legally enslaved, but his condition as a peon was seldom better than that. The high plateau lands of Spanish America were not favorable for slavery, and consequently it did not flourish there. However in the Antilles slavery flowered to its richest fruit in both French and Spanish possessions. In Jamaica, Hayti and Santo Domingo the ratio of slaves to whites was about thirteen to one. Bourne draws a favorable comparison between the condition of the slaves in lands under Spanish control as against those of the English,[70] pointing out the relative liberality of the Spanish laws, but he concedes that in substance what they gained in liberality was more than made up by Spanish shiftlessness and neglect even to the bare essentials of providing adequate food and clothing for their human possessions.

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[68] The Viceroy of New Spain—Smith, p. 126.

[69] Spain In America—Bourne, p. 266.

[70] Ibid., pp. 280-1.

ROLE OF THE SPANISH MISSIONARIES

For the Indians, the Spanish missionaries were particularly solicitous regarding their religious welfare. It was their policy to gather them in missions around which they endeavored to organize communal life in keeping with Christian standards. Much has been said concerning the horrible Aztec ritual of human sacrifices, generally prisoners of war. In fact, Aztec war expeditions were undertaken principally for the purpose of capturing the future victims of their religious rites. Many a member of Cortes' band owed his life to the fact that it was desired to take him alive, rather than to kill him on the battlefield.

No more vivid description of the Aztec religious practices can be found than in Prescott's account of the conquest, yet he is generous in his description of the high order of civilization to which they had attained.[71] He is fair enough to insist that the blemish of human sacrifices and ensuing cannibalism at religious rites is no criterion for judgment of that people. "Habit and opinions founded on religion must not be taken as conclusive evidence of the actual refinement of a people." [72]

After three hundred years of Spanish government and the ministrations of devoted priests Humboldt could not but remark that the appearance of the modern Mexican denoted a people broken in spirit and fortune, probably possessing neither the physical nor the moral characteristics of the brave Aztec nation which Cortes encountered.[73] A century has passed since those lines were written. Our knowledge of Mexico and its people has enlarged, but no responsible opinion can be heard in opposition to the claim that the entire ideological superstructure created by the Spaniards in the New World was calculated to maintain substantially intact the social institutions which these colonists had builded.

They built many magnificent universities. In cultural activity nurtured by governmental agencies, and the religious organs of the social mechanism, Spanish America far over-topped English America. It is true that our colonies had no counter-part of the Spanish Inquisition, but our New Englanders amply proved what they could do at Salem and elsewhere in that respect. Bigotry and religious persecution is not the peculiar heritage of a single race or of a particular period of history.

When it comes to downright burning at the stake the English and

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[71] The Conquest of Mexico—Prescott, pp. 317-20.

[72] Ibid., p. 91.

[73] Ibid., p. 704.

Spanish scores in the New World are not very far apart. "In its entire history in Peru," writes the authoritative Bourne, "the Inquisition celebrated twenty-nine autos da fe, the first burning taking place in 1581 and the last in 1776. Fifty-nine heretics in all suffered at the stake. The list was shorter in Mexico. In two hundred and seventy-seven years, so far as has been learned, forty-one were burned as relapsed heretics." [74] Our gentle New England Puritans in the single month of September 1692 had put twenty to death for witchcraft.[75]

COMPARISON BETWEEN SPANISH AND ENGLISH COLONIAL INSTITUTIONS

But civilizations are not to be gauged by their temporary aberrations, or even by their religious practices. While New England and the rest of the English colonies could not boast of educational institutions which could compare to the elaborate universities, schools and churches of Spanish America, they did possess something infinitely richer than all these achievements of their Latin neighbors. They possessed institutions which bred the spirit of free men in a new world, where Spain merely recreated anew and on a larger scale the institutions which characterized it in Europe.

One of the commonest mistakes of every ruling class in history is to confound stability with unchangeability. For that it cannot be blamed. Reproduction on the same basis is the most powerful instinct of living things. Society is often compared to an organism, and at any given time may appear to function as one. But the comparison is deceptive. New conditions present new problems and no social organism can adapt itself to the new situation with the speed and facility that history demands. For there is lacking not only the capacity for rapid re-organization, but conflict arises as to what form, and in what manner, and by whom this re-organization is to be effected.

In the slow processes of history various forms of social organization have been evolved. Stability and modification were long irreconcilables. Unstable social systems have failed to survive; so have many that were rooted for eternity; while others still persist in various degrees of stagnation, progress or regression. The Spanish social structure severely limited the possibilities of movement.

The aristocratic principle is based essentially on blood. Granting that the founder of the aristocratic line was possessed of outstanding qualities for his time which entitled him to be marked apart from the rest of his fellows, there is no guarantee that the offspring will partake of the same characteristics, nor to the same degree. All biological evidence disproves such a relationship, and all history shows that genius is seldom transmitted.

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[74] Spain In America—Bourne, p. 313.

[75] History of the United States—Bancroft, Vol. II, p. 160.

On the other hand, the invariable experience of mankind has been that the succeeding generations are ordinary mediocrities who would be indistinguishable from their fellows were they not surrounded by the obvious marks of distinction which hereditary wealth, title and prestige confer. The history of feudal institutions affords abundant evidence of the increasing decrepitude which seizes that unfortunate class which is set apart from the rest due to no especial quality of their own.

That this appears to be a universal law of nature is borne out by the facts of contemporary life. Where are the sons and daughters of the American great, the rich and the powerful of fifty, a hundred, two hundred years ago? Fortunately for us, the controlling principle of the social system which now prevails puts a premium upon other qualities rather than that of birth or wealth. Perhaps no problem gives the founder or the inheritor of a great American fortune more concern than that of making certain that his heirs and their scion should retain the family wealth. Under feudalism primogeniture and entail were devised to maintain at least the material basis of the dignity of the family name. In modern society the name is not so important as the wealth, though foundations have been devised as one method of perpetuating the latter.

UNVARYING NATURE OF THE SPANISH COLONIAL POLICY IN THE FACE OF A CHANGING WORLD LED TO ITS COLLAPSE

In Spanish America the basis of the social structure was the perpetuation intact of the existing relations. Change was reduced to a minimum. The social continuum did not allow for much variation of its internal parts, and this diminished difference of social potential could not but result in a reproductive and vegetative society. All would have remained as planned for eternity, but unfortunately for them, there were at work virile factors in neighboring social systems which eventually would infringe upon and destroy their own. This is not to assert that were it not for Napoleon's shaking of the Spanish kingdom that its parts over the seas would have remained indefinitely in a state of torpid tranquillity. But the fact remains that its empire could not withstand the rude blows at the center.

History deals not with suppositions but with facts. Goldenweiser might contend that the impact of Napoleon upon the social system of Spain was accidental, and that the loosening of the imperial ties in the New World was therefore the product of a chance event. In the first place, only the superficial observer could ascribe the Napoleonic-Spanish-colonial combination as the product of chance. Secondly, other factors were at work from other sources which inevitably would have resulted in the disintegration of the Spanish empire. The United States in 1898 did not hesitate to administer blows to the decaying hulk from the Caribbean to the China Sea. Virile elements within the colonies themselves could not remain unaffected by the world spirit which prevailed during the early nineteenth century.

It is futile to debate whether the Spanish colonial revolutions would have developed from within in due time without waiting for the impact of outside forces upon the center of empire which helped loosen its grasp upon the extremities. The extremities themselves were ripe for plucking. Yet in a different social system we observe that the impact of Hitler upon England strengthened, rather than weakened, the hold of the center upon the outlying elements of the British Empire.

The scope of our present inquiry does not permit following out the subsequent development of the Spanish colonies beyond the period of our colonial history. All that we desire now to establish is the essentially aristocratic spirit which permeated the entire Spanish colonial system with its hierarchy of artificial gradations which give even the Zambos, or Negroes of Indian parentage a status above that of the Negro slaves. Of course, the Negro could assert a lordship over other animate creatures or inanimate objects, and all the commentators of Negro slave economy are agreed that animals and equipment suffered equally from his abuse.

Lordship over something or someone seems to be a part of our nature. It will require a far different type of social organization than that which we now possess for that spirit to satiate itself first in intellectual and moral lordship over oneself, and secondly in control over the forces of nature that are still unharnessed to man's will. In our present animal state of existence the obvious manifestations of power are those which all can recognize, but which not all can possess. It will require another form of social organization to effect the transformation of the common impulses of mankind today along channels which will consume themselves in self-mastery and spiritual elevation. The Spanish colonial system did not, and could not, foster the development of that spirit. It failed. Few can mourn its passing, despite its lasting achievements in the New World.

CHAPTER III

France's Colonial Policy

FRANCE'S PREDOMINANT EUROPEAN CONTINENTAL INTERESTS

DURING the sixteenth century when Spain was perfecting her colonial system France had not attained to the status of a unified nation, and when in the seventeenth century she finally rose to be the leading country in Europe, her form of government developed by Louis XIV so confined her interests to maintaining her rank as the first continental power that she had neither the means nor the desire to become a great colonial power. She did collect colonies as the Grand Monarch collected provinces. But while the wars of Louis XIV were rational, as Guizot insists,[1] because they were intended to and did in fact carve out the boundaries of modern France, colonies were merely incidental to the main purpose, which was to establish France's supremacy in Europe.

In that purpose France succeeded. Colonies meant little or nothing to her. Wealth enough was to be found in the rich provinces which she occupied. Prestige there was none in the conquest of savages, to compare with the glory won on the battlefields of Europe. Even while Spain's emissaries were welding that magnificent empire over the seas, the really important concerns of her monarchs during that process, from Ferdinand and Isabella through Charles V to Philip II were centered at home or in Europe. One has but to note the pitiful figure Cortes cut at the Spanish Court to realize the true position colonial enterprise occupied in the schemes of her rulers.

New World enterprise was only a convenient source of ready money with which to pursue grand projects in the Old. The Spanish rulers squandered hundreds of thousands of lives and a billion dollars in treasure upon their European adventures, and thought the cost justified by the stakes involved. Cortes came to conquer with but four hundred Spaniards in his army,[2] while the total of Montezuma's fabulous treasure amounted only to six million three hundred thousand dollars.[3] Pizarro had exactly one hundred and seventy-seven men [4] in his army with whom he set out to conquer the Inca State, while the quantity of gold their daring encompassed amounted to fifteen and a half million dollars.[5]

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[1] History of Civilization In Modern Europe—Guizot, p. 259.

[2] Conquest of Mexico—Prescott, p. 295.

Enormous as these sums were for those days, they were still pitiful fractions of the wealth monarchs were ready to stake in the great gamble for empire where their hearts were truly set, in the mainland of western Europe.

The nature of the autocratic power which French reigning ambition established at home was inimical to the growth of that free commercial enterprise which seeks to win and hold colonies for the strongest of reasons. French industrial enterprise was crushed during the internecine religious wars, since many of them were in Protestant hands. When colonies finally were established there were few to develop them or exploit their resources. Of the precious metals there were none available for seizure, as in Mexico and Peru. To establish industry, cultivate the soil and carry on a thriving commerce in distant lands—the essentials of a virile colonial policy—France had few of her population to spare for the New World for the greater gains which might with equal labor, and perhaps with less risk, be won at home.

CAUSES OF FRANCE'S FAILURE AS A COLONIZER

Professor Wrong like many other writers has puzzled upon the failure of France as a colonizer. Twenty years after the founding of Quebec in 1608 the first horse was harnessed to a plow in the verdant soil of that province. "France has never founded populous colonies overseas," says Wrong, "except in the West Indies where the French master had the labor of negroes. Today Canada has the only considerable inhabitants of French origin outside of Europe and North Africa, and only a few thousand French ever crossed the seas to Canada. There is in France a familiar saying that 'next to the Kingdom of Heaven, France is the most beautiful of all lands'—and probably no other people in the world so much as the French idealize even the soil of their country." [6]

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[3] Ibid., p. 365.

[4] Conquest of Peru—Prescott, p. 914.

[5] Ibid., pp. 966-7.

[6] The Rise and Fall of New France—Wrong, Vol. I, pp. 243-4. In Vol. II pp. 629-30 he draws a vivid comparison between French and English colonial policies. On pages 880-1 he states the factors contributing to New France's downfall as presented during the trial of its defeated leaders without, however, passing judgment on their merit.

It is a very touching, but untrue picture; untrue because any Spaniard, Italian, Norwegian or Russian will respond with equal ecstatic fervor in the glorification of his native land. At any rate, it does not explain the unwillingness of the Frenchman to leave his familiar haunts. Love of country, like animal courage, is the commonest and most ubiquitous of human emotions. The concept of country and nation are not always synonymous in history.

France's failure as a colonizer sprang from three basic factors. First, her politics were centered in Europe at the time when colonies were to be had; second, the commercial and industrial enterprise essential for sustaining a firm colonial policy, was closely tied to the purposes of the central state policy; third, there was no over-population such as developed in England when enclosures despoiled the peasantry of their ancient privileges and immense tracts of arable land were turned into sheep walks, crowding bipeds off the land of their fathers. These were the reasons which sprang from the nature of the social structure as it existed in France and England of that time. Of course, there was the obvious factor of England's insularity and the acquaintance of its people with ships and the sea. Still long before the formal explorations were undertaken by French governmental authority under the leadership of Verrazano, Cartier and Roberval, Breton seamen were already acquainted with the fishing banks off Newfoundland.[7]

But official enterprise lagged since the all-important reasons of state and economics had not urged them on to exploit the venturesomeness of its fishermen. However, Verrazano's discoveries along the Atlantic seaboard in 1524 from Cape Fear to Newfoundland by virtue of his commission from Francis I formed the basis of France's claim to the whole of North America as asserted long after by her leaders when she had attained a position as Europe's leading power, and was endeavoring to assume hegemony over wider areas of the globe.[8]

Of France it can be said that it was her misfortune to be one hundred years behind England and one hundred years ahead of Germany up to the twentieth century. A strongly organized national monarchy was achieved in England under Queen Elizabeth in the sixteenth century, but in France only under Louis XIV in the seventeenth century, and the chaos which was Germany was put into a fair semblance of order under Frederick in the largest portion of it in the eighteenth century.

Modern history is based upon a strong national government to carry out a firm national policy at home and abroad. Spain was in the extraordinary position of having reached her prime even before her maturity, and leading all the rest of the world, eventually found that she did not possess the inner driving power to go on, nor the courage to draw back. Other one-time great nations like the Low Countries and those of Scandinavia have had their days of greatness without sloughing into stagnation.

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[7] Colonization of North America—Bolton and Marshall, p. 81.

[8] The Rise and Fall of New France—Wrong, Vol. II, pp. 633-5.

FRANCE A THIRD-RATE POWER IN THE SIXTEENTH CENTURY

France was a third-rate power during the period of Spanish hegemony. At one time her king was a prisoner of Charles V; at another her capital was besieged; and when she suffered the loss of Calais to the English, her own nobles actually planned the dismemberment of France into feudal states as of old, with the king as its chief feudal lord. This proposition was actually made to Henry IV in 1596 by his own relative, which he rebuked with grave melancholy.

Writing of this time Motley says: "Rarely has political cynicism been displayed in more revolting shape than in this deliberate demonstration by the leading patricians and generals of France, to whom patriotism seemed an unimaginable idea. Thus signally was their greediness to convert a national disaster into personal profit rebuked by the king. Henry was no respecter of the People, which he regarded as something immeasurably below his feet. On the contrary, he was the most sublime self-seeker of them all; but his courage, his intelligent ambition, his breadth and strength of purpose, never permitted him to doubt that his own greatness was inseparable from the greatness of France. Thus he represented a distinct and wholesome principle—the national integrity of a great homogeneous people at a period when that integrity seemed, through domestic treason and foreign hatred, to be hopelessly lost." [9]

Francis I marked the beginning of the struggle for national unity, and it took almost a hundred and fifty years before that was finally achieved under Richelieu. Motley errs in ascribing lack of patriotism to the French nobility. What he really meant to say was the lack of a national spirit, for of the first quality they proved their abundance in a hundred battlefields against the invader. Nationalism represented a new epoch in the history of Civilization which spelled extinction to the ancient glory of the feudal nobility. Without being historical philosophers they recognized the true bent of their interests. So did our American slaveholders when the irrepressible conflict came assert their sturdy Confederate patriotism in what they conceived to be the genuine spirit of the founding fathers of the American Republic.

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[9] The United Netherlands—Motley, Vol. III, p. 393.

EFFECTS OF THE REFORMATION IN FRANCE

During the sixteenth century the ferment of the Reformation was evident in France as in the rest of western Europe outside of the Iberian peninsula. The devotion of the Jesuits was the masterstroke of the Papacy in its Counter-Reformation.[10] Where statecraft and diplomacy failed there was the convenient resort to bigotry, hatred, assassination and massacre.

This was the weapon of both Catholic and Protestant factions. History records the deeds of the former at Vassy and St. Bartholomew, but, is prone to forget the acts of the latter when occasion arose. Brutality, as Gibbon said of courage, is not the particular monopoly of any race or religious faction. "Where they happened to be the stronger," wrote Guizot, "and where they had either vengeance to satisfy or measures of security to take, the Protestants were not more patient or more humane than the Catholics. At Nimes in 1567, they projected and carried out, in the town and the neighboring country, a massacre in which one hundred and ninety-two Catholics perished; and several churches and religious houses were damaged or completely destroyed." [11]

France was rent by open religious civil war. But this struggle between the communions cloaked a far more vital conflict. Great nobles became the champions of Protestantism in order the more effectually to battle against the encroachments of the king, who represented the integrating influences of national unity. The Protestant Henry IV embraced Catholicism in order to win the support of the masses for his side.

Even such a frank opponent of the Catholic Church as Buckle espoused the cause of the Catholics in this great struggle,[12] because its victory spelled national unity, and its defeat would have meant national chaos. None is more generous than this English iconoclast in his praise of Henry IV and Richelieu for the persistency with which they carried out their great historic tasks.

Mechanical economic determinists can bring forth an historical chart to show that the Renaissance which was capped by the Reformation coincided with that phase of development which marked the end of feudalism and the rise of capitalism. With them history is a problem of precedence. With us it is a process in which all factors—political, economic and ideological—co-operate in a definite manner within a definite field.

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[10] Renaissance In Italy—Symonds, Vol. II, p. 624.

[11] History of France—Guizot, Vol. III, p. 247.

[12] History of Civilization In England—Buckle, Vol. I, pp. 410-15.

Feudalism was never firmly established in the country—Italy—which gave rise to the Renaissance[13] and never participated in the Reformation.[14] The character of the Italian people and the nature of its historic development was not conducive to the parceling out of its land and people. In France the feudal relations had taken firm hold, and though in a process of disintegration in the sixteenth century, its spirit was still powerful enough to challenge the integrating influence of the crown. The Catholic Church pursued its traditional policy of advantaging the particular situation for its own aggrandizement in influence and wealth at the expense of all the rest.

Both the nobility and the clergy did their utmost to weaken, where they could not thwart, the state. The Church was the largest holder of property in the realm, and enjoyed the privilege of taxing itself,[15] with consequences readily understood. To the very end until the great revolution in 1789, both estates were practically free from contributing to the burden of supporting the state. It is true that by thus weakening it, the resulting financial embarrassments were instrumental in setting in motion the forces which resulted in their own dissolution. But in the sixteenth century both estates, whatever temporary differences there might exist between them, succeeded in presenting a common cause against the organization of national unity.

Political treachery found its counterpart in fomenting religious disputes and feeding the flame of bigotry. Despite this, Henry IV succeeded in establishing some form of religious toleration in the famous Edict of Nantes signed and published in 1598.

Some of its provisions, consisting of ninety-two open and fifty-six secret articles, sound strange in modern ears, though for its time it was an outstanding achievement of enlightened statesmanship. The freedom of worship was recognized for Protestants not only in the domains of lords possessing judicial power by virtue of their rank who then numbered three thousand five hundred, but also in the jurisdictions of the smaller noblemen, provided that the total number of the congregation present did not exceed thirty.[16] The children of Protestants were to be admitted to hospitals without distinction between them and Catholics. Protestants could retain some two hundred towns which they controlled for a period of years, during which the king was obligated to keep their fortifications in good condition.

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[13] Renaissance In Italy—Symonds, Vol. I, pp. 866, 919; Vol. II, pp. 102, 451, 462.

[14] Ibid., Vol. I, pp. 224, 348, 505, 665; Vol. II, pp. 541, 590.

[15] History of Civilization In England—Buckle, Vol. I, p. 383.

[16] History of France—Guizot, Vol. III, p. 444.

FINAL ACHIEVEMENT OF FRENCH NATIONAL UNITY

Richelieu was the nemesis of the nobility, the clergy, the people, the parliament, of all who stood in the way of his effort to establish the crown as the unifying element of the nation. The first half of the seventeenth century saw France embroiled in interminable factious strife which left her weak against her rivals in the European scene and ineffective in her policies abroad. The nobility soon assumed the leadership of the popular Fronde not out of love for the masses in their struggle for betterment of their social lot, but as a means of embarrassing the crown.

Hence when the parliament of Paris denounced Mazarin, Richelieu's successor, as an enemy of the State, the nobility hastened to espouse their faction in order to undo what Mazarin's great predecessor had achieved.[17] Thus was the great struggle for popular rights allowed to degenerate into a contest of rival nobles for supremacy in France. The people had not learned the art of developing their own leaders, and in the end were the blind instruments of the contending great families. It was this condition which paved the way for the absolutism of Louis XIV, thereby delaying the development of the social forces of the French Revolution for another century.

It is one of the ironies of history that the popular struggle should be espoused by the nobles of France. Buckle draws a very striking comparison between the courses pursued by the English and French rebellions during the first half of the seventeenth century. Wrote he: "The influence of the higher ranks was, in England, constantly diminishing; in France, it was scarcely impaired. Hence it happened that, although the English Rebellion and French Fronde were contemporary, and in their origin aimed at precisely the same objects, they were distinguished by one most important difference. This was, that the English rebels were headed by popular leaders; the French by noble leaders. The bold and sturdy habits which had long been cultivated in England, enabled the middle and lower classes to supply their own chiefs out of their own ranks. In France, such chiefs were not to be found; simply because, owing to the protective spirit, such habits had not been cultivated. While, therefore, in our island, the functions of civil government, and of war, were conducted with conspicuous ability, and complete success by butchers, by bakers, by brewers, by cobblers, and by tinkers, the struggle which, at the same moment, was going on in France presented an appearance totally different. In that country, the rebellion was headed by men of far higher standing; men, indeed, of the longest and most illustrious lineage. There, to be sure, was a display of unexampled splendour; a galaxy of rank, a noble assemblage of aristocratic insurgents and titled demagogues. . . . These were the leaders of the Fronde, and the mere announcement of their names indicates the difference between the French Fronde and English rebellion." [18]

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[17] Ibid., Vol. IV, p. 177.

This striking comparison illustrates not only the differences between their contemporary rebellions but also between the social systems which prevailed in England and France. We shall presently see how profoundly this affected their respective colonial policies and consequently the course of American history. Confining ourselves for the moment to Europe, we know that the English rebellion led ultimately to the orderly Great Revolution of 1688 and the Bill of Rights; while the French rebellion resulted in the regime of Louis XIV with its splendor and its reaction, preparing the ground for the Revolution of 1789 and its sanguinary aftermath in the Terror and the dictatorship of Napoleon.

METEORIC RISE AND DECLINE OF FRANCE DURING LOUIS XIV'S REIGN

France during the minority of Louis XIV had been in a state of chronic dissolution.[19] Spanish armies were frequently in the interior and always on the frontiers awaiting the turn of Madrid's policy. The nobles were in arms; the populace, disaffected; the clergy, aggrandizing the situation for the greater glory of God and the profit of Rome; while in international affairs its policy carried no weight. The Fronde having failed, disintegration might have followed did not the situation lend itself for the manipulation of a strong hand at the helm. This proved to be the hand of Louis XIV. In his work, to which he devoted himself assiduously, the king was aided by great ministers of the calibre of Colbert and Louvois.

Wars were conducted for a national policy rather than for the satisfaction of personal whims. Diplomacy under his guidance did not stop at keeping in his pay at the same time Charles II and James

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[18] History of Civilization In England—Buckle, Vol. I, p. 478.

[19] History of Civilization In Modern Europe—Guizot, p. 258.

II of England[20] and the republican party in England,[21] in order to keep them at loggerheads for the greater advantage of France. The intellectual renaissance in France of the sixteenth century was suppressed. Men of letters did not hesitate to sing the king's greatness at the king's expense.[22] The States-General had fallen into disuse, while the provincial parliaments were closely confined to ministerial functions of carrying through the edicts of the king. Industry and commerce were carefully confined to be local in character. France was a self-contained nation which under prudent management could supply the central authority with a sufficient surplus to carry on the wars and the extravagances of a vain but great monarch.

None, for example, can read the meticulous care for the niceties of their relation when James II of England was an exile living on Louis' bounty, without feeling that Louis was also the first gentleman in Europe.[23] But first of all he was a king, the unquestioned despot of his realm, responsible to none but his own conscience, or rather to his sense of the appropriate.

Toward the end of his long reign during which France was raised to the pinnacle of her greatness, misfortune began to overtake him. Revenues could not keep up with the enormous appetite of his needs. The fortunes of war began to turn against him, and he suffered the chagrin of observing that as his sun began to set even during his lifetime, that of England was in the ascendancy.

Among the ill-advised acts of that remarkable career, none stands out more than the repeal of the Edict of Nantes which had been in effect for ninety years. At a single stroke, and without need for consultation or fear of a restraining power, the king annulled the elemental rights of worship to one and a half million of his subjects. "The Edict of October 15, 1685 supposed the religion styled reformed to be already destroyed and abolished," wrote Guizot. "It ordered the demolition of all the chapels that remained standing and interdicted any assembly or worship; recalcitrant ministers were ordered to leave the kingdom within fifteen days; the schools were closed; all new-born babies were to be baptized by the parish-priests; religionists were forbidden to leave the kingdom on pain of the galleys for the men and confiscation of person and property for the women. Two hours were allowed the reformers of Rouen for making their abjuration." [24]

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[20] History of England—Macaulay, Vol. I, p. 230, Vol. II, pp. 42, 47, 354.

[21] History of Civilization In Modern Europe—Guizot, p. 261.

[22] History of Civilization In England—Buckle, Vol. I, p. 495.

[23] History of England—Macaulay, Vol. V, p. 458.

[24] History of France—Guizot, Vol. IV, p. 334.

FRANCE DEFICIENT IN A DEFINITE NEW WORLD PROGRAM

During the period of the great discoveries in the sixteenth century when national claims to the New World were being staked out, France was in no position to follow in the footsteps of her European neighbors. Several half-hearted attempts were made to found colonies in Canada, but the unsettled conditions in France, as of the entire western Europe, gave to Spain and Portugal a monopoly upon exploratory and colonial enterprise in that direction.

An effort to found a French Protestant colony in Brazil under the patronage of the great Huguenot leader, Coligny, ended in disaster when it was attacked and destroyed by the Portuguese. Everything from Florida southward had been pre-empted, and it is probable that Breton acquaintanceship with the Newfoundland fishing banks first led to substantial colonial efforts in what is known as Canada. The Duke of Sully who was Henry IV's financial minister expressed the current colonial philosophy when he looked upon overseas adventure only as a source of revenue for the crown; surely as not a suitable purpose for governmental expenditure.

France possessed none of the essentials for a successful colonial policy. If sheer human courage and exemplary hardihood under the severest privations were the only requirements for the creation of a colonial empire, then indeed France could hold her own with any nation in the world. But that is taken for granted. More is needed, and that she did not possess.

First of all, there must exist a strong personal incentive for the Frenchman to migrate to the wilderness. That the Spaniard had. He came to live as a conqueror among a subject people, and be supported upon the riches of the land by peon and slave labor. It is significant to note that the only successful French colonies were in the Antilles which were organized on that principle.

Second, there was lacking the strong profit incentive of commercial enterprise sufficient to sustain an adventure with prospects of rich and immediate returns. Commercial development in France had not reached that point where entrepreneurs would on their own initiative risk their capital in the pursuit of trade between the Old World and the New.

Third, whatever colonial enterprise was manifested had its origin in state efforts, and was therefore susceptible to every modification of state policy where the predilection of the dominant mind directed matters according to his wishes.

Fourth, France was by its history, geography; tradition and economy closely wrapped up with the continental system of Europe. Under a weak regime she had not the means to support overseas ventures; while under a strong one, the immediate rewards of success in Europe were so rich and so tempting that all her efforts were engrossed in the conquest of her European position, and then toward its maintenance.

All these factors co-operated in setting to naught the exemplary efforts of her great discoverers and colonial administers, until in the end she allowed one colonial empire after another to slip listlessly through her hands. Not that she did not fight against England to retain Canada, but her eyes were always centered on Europe, while a little greater effort in the New World before the final catastrophe might have warded off that disaster. Nor did Napoleon surrender Louisiana to the United States for the bagatelle he finally accepted; for he realized that sooner or later, England would wrest it from her, and he would rather give it to the United States, at a price, than see it fall into the lap of his mortal antagonist.

Yet these events were only the effects of a long determining process which preceded them. "What time to think of the petty affairs of a few thousand colonists across the sea, when populous Europe at one's door might be mastered, and with it, America?" [25] Thus wrote Professor Wrong of Colbert. So could he have written of Sully before him and Talleyrand after him. All these ministers of state recognized in theory the importance of colonies to a nation claiming the status of a world power. But all of them were limited by the historical conditions in which France was placed. Of all the great world powers, she alone could maintain that status solely upon its position in Europe. To bulwark that position was their chiefest concern. The grand conceptions of a Richelieu and the far-sightedness of a Colbert could not go contrary to the laws of the historical field in which French policy originated.

ROLE OF FUR TRADERS AND JESUITS KEY TO THE FRENCH COLONIAL SYSTEM

Our first association of France with American colonies is that of fur [26] and Jesuits. Now this is not a polemic against either. Fur to the French exercised the same lure for ready and easy money as gold did to the Spaniard. In those times fur ranked much higher than today as an article of luxury. Gentlemen in high society could not maintain that status, apparently, unless they were decked out in the elaborate fur fashions of the mode.[27] Obviously it was a much humbler source of wealth than the glittering piles of precious metals high-spirited Spanish nobles could wrest by the might of their arms. Consequently the equally high-spirited French noblemen preferred the battlefields of Europe to bartering for pelts with the Redskin.

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[25] Rise and Fall of New France—Wrong, Vol. I, p. 435.

[26] The Money Supply of the American Colonies—Nettels, p. 45. Univ. of Wisconsin, 1934.

Men of a different stamp were required for that field. The French fur trader came on the scene; one who could habituate himself to the life of the forest, to long voyages in flimsy canoes, with frequent and arduous portages to the next stream or lake. He had to live among Indians, eat their food, learn their speech, even adopt their customs. He had to live with their women, and often he married them. After making his deals, he brought his furs back to the trading post established by a company, and exchanged them for useful articles or trinkets in demand among the Indians.

Wrong wrote that a colony should be more than a trading venture.[28] As an abstract proposition, that is true. In a sense, all colonies are trading ventures, exchanging their products for those of other countries, or of different localities. Trade in itself does not condemn a colony. It is the character of the trade that establishes its status. The proudest Virginia planter had to trade his tobacco for the other necessaries and conveniences of his station in life. But a tobacco plantation presupposes a specific form of social organization.

We can picture there verdant fields, populous plantations, with slaves in their huts and the white folk in the mansion. There is an organized social life, and opportunity for a rich if circumscribed sphere of aesthetic existence. The fur trader by the necessities of his occupation is a migrant. Stations are few and far spaced. Population is small, for the business does not call for a settled and organized mode of existence. Even the market for furs is limited. Competition reduces the profits, while the vagaries of style restrict the demand. Seasons may be poor, or the Indians may be unwilling. It all tended toward a hearty and adventurous mode of existence for those who loved solitude, but it was scarcely the basis upon which to erect a thriving and prosperous colonial empire.

FRANCE'S DIFFICULTIES IN OBTAINING EMIGRANTS

New France was indeed a wilderness abandoned to the arts of nature and to the wiles of its then human population. Of Indians there were few, scarcely twenty thousand of whom came in remote and casual contact with the few white men who intruded themselves among them. Where Spain sent a steady stream of adventurers to the New World and England of settlers, France had to coax and often compel men to emigrate. "One source was available, the jails," wrote Wrong, "and the king permitted Cartier and Roberval to take condemned prisoners. Those under sentence of death were offered the alternative of beginning in New France a new life with the warning that to return to France without leave would involve instant execution at the place where they had been condemned." [29]

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[27] The Rise and Fall of New France—Wrong, Vol. I, pp. 141-2.

[28] The Rise and Fall of New France—Wrong, Vol. I, p. 140.

It is needless to indulge in platitudinous observations upon the little turn of fortune which makes one thief to be decked out in silken robes and the other in the hangman's noose. The arbitrary rules of justice established by society whereby the individual's fate frequently hangs on subtle distinctions, are intended for its protection, and not out of abstract considerations of right. Therefore it ill behooves any to sniff at the character of some of the early French colonists.

Every European country indulged in the practice of exporting so-called criminals. Our sole concern with this aspect of French colonial history is to indicate how difficult it was to obtain emigrants for the New World. No other element indicates more strongly than this the contrasting nature of the social systems prevailing among the three great colonizing nations of Europe. The number, the character, and the aims of their respective emigrants were determined by the social forces which sent them forth and contributed so vitally in the shaping of their future history.

In the consideration of New France's development one is struck immediately by the smallness of its population which affected so vitally its subsequent relations. No single element was more responsible for the destruction of the French empire in North America than the paucity of its numbers. But this defect was not in the power of France to correct. Its entire system was geared to react to the continent of which it was always an important part, and over which it so often exerted a preponderant sway. Colonies then were only accessories to its power, and not of the essentials.

CHARACTER OF THE FRENCH ROYAL MERCHANT COMPANIES

France, too, experimented with merchant companies. That was the style of the day, but unfortunately for her, France was not so successful in styles which did not originate with her, but which she merely copied.

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[29] The Rise and Fall of New France—Wrong, Vol. I, p. 69.

It is one thing for a commercial people like the English or the Dutch to organize groups for a joint enterprise; it is a far different matter when a non-commercial people like the French followed in their footsteps. The inner stimulus for the first group comes from among the merchants, the so-called adventurers themselves, and they can be depended upon to exert all the care and ingenuity which private initiative brings forth; while the second depended upon government favor and subsidy. Private companies may be, and generally are, shortsighted and will sacrifice a desirable distant end for immediate gain. Eventually all these private companies proved by their acts to be inimical to the larger interests of empire. Yet at the outset the self-interest of the investors was the safest guarantee of success.

We first hear of a fur monopoly set up in France in 1600 under grant of Henry IV given to two of his friends. After a few years of profitable trade dissension arose and the patent was revoked. This was characteristic of the French absolutist theory. James I in England attempted to pursue a similar monopolistic policy as an outgrowth of his exalted conception of the kingly prerogative. To a group of forty adventurers organized as the Council of Plymouth, he conferred in absolute property all the land between the fortieth and forty-eighth degree north latitude. The grant was exclusive and gave unlimited jurisdiction over all land, rivers, islands, mines and fisheries, conceding sole powers of legislation subject only to the general supervision of the crown.

In France such a grant would have excited little comment, and perhaps only envy among those who were not the objects of such signal royal favor. In England the spirit of liberty had long been abroad in the land and there were not lacking those who protested against such an unlimited grant of power. Far from aiding the enterprise of the Plymouth associates, the very extent of the concession defeated the purpose for which it was intended. Englishmen who would not submit to the yoke of an hereditary monarch at home were not likely of their own accord to subject themselves to that of upstarts abroad. "The English nation," wrote Bancroft, "incensed at the erection of vast monopolies by the royal prerogative, prompted the house of commons to question the validity of the gift, and the French, whose traders had been annually sending home rich freights of furs, derided the tardy action of the British Monarch in bestowing lands and privileges, which their own sovereign, seventeen years before, had appropriated." [30]

[30] History of the United States—Bancroft, Vol. I, p. 209.

A few years after Henry IV had canceled the fur monopoly, he was assassinated, and the resulting confusion into which the country was thrown prevented the pursuit of a firm colonial policy until Richelieu had had time to re-organize the nation under his firm hand.

Richelieu conceived the grandiose scheme of making France a great commercial nation by establishing a vast monopoly for all its trade, domestic and foreign. A vast trading town was to be created at the seaport of Morbihan in Brittany which was to be the nerve center of the enterprise. Protests on the part of the commercial elements compelled the abandonment of the scheme. Later he returned to it, but on a more subdued scale by the organization of the Company of New France which was limited in scope to activities in that part of the New World. The Company was to have a hundred owners, each investing three hundred crowns, totalling in all about thirteen thousand pounds, a trifling amount considering that in the organization of Virginia, and later of Massachusetts the English spent fifteen times as much.[31]

In time the company came to be known as the Company of the One Hundred Associates. It was given the sole control forever of the fur trade, and a monopoly of all other trade for fifteen years, exclusive of fisheries, where control was difficult. Its board of directors contained noblemen and ecclesiastics with a cardinal at its head, namely Richelieu himself. The Society of Jesus was prepared to engage in missionary activity, and only Frenchmen and Roman Catholics were to be permitted as colonists. This religious test for immigrants was not new even in the English colonies. But once again we will observe that while the spirit of intolerance was often rife in New England and elsewhere, in time it subsided and the New World for them became in substance a haven for all regardless of creed or nationality.

We observe the entrance into the Canadian scene of a new element, the Jesuits. Henceforth their influence and power is to become ubiquitous wherever a settlement was to be built, or a trading station organized. On the rivers and lakes of Canada, and later of Louisiana, the missionary's canoe glided on toward those mysterious rendezvous with God, and often with death. Their exemplary devotion, and magnificent fortitude under the severest trials have left an imperishable record in our annals, and we hope that nothing we have said heretofore, or what will follow, will be taken as intending to diminish the glory of their achievement and their self-sacrificing devotion. The fact, however, remains that the penetration of the

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[31] The Rise and Fall of New France—Wrong, Vol. I, p. 254.

Jesuits into the New France wilderness was a powerful inhibiting factor toward the expansion of its population by outside accretion, besides contributing other elements toward the slowing down of its growth.

PATERNALISTIC POLICY OF COLONIZATION

Where tens of thousands of settlers were pouring into New England, New France was pleading in vain for willing hands to till its fertile valleys and pluck the rich fruit of its forests. "After thirty years of effort," writes Greene, "New France had less than 2,500 inhabitants. Agriculture had made little progress and the colony even depended in part on the mother country for its food supplies. Its only important business was the fur trade and even this was precarious on account of the hostility of the Iroquois." [32]

The wise Richelieu had not learned that men will not continue in long sustained effort without reward unless imbued by the spirit of patriotism, or urged on by the undying impulse of religious enthusiasm. Those who are possessed of the former gravitate toward the military or the civil arm of government, while the latter as naturally express their affinity for the religious order. This left a tremendous void in civil life which neither that great minister or his successors succeeded in filling. There was no great class of private entrepreneurs who would be urged on by their own volition to the New World, where they would meet and circumvent obstacles with dogged determination and tenacity of purpose which in its sphere was as praiseworthy as that of any political or religious motivating power.

Government still molded business in France; the English were perfecting an already highly developing technique for molding government to business. Richelieu had held out the prize of letters of nobility to twelve of the Hundred Associates as a reward for their services to France. This much sought after honor obviously could not be scattered broadcast, and with the relaxation of the driving spirit due to the meagerness of results the Company of One Hundred found it necessary to compromise some of its broad powers in an effort at financial rehabilitation. The old company retained the extensive governmental prerogatives of its original grant, but relaxed its fur monopoly to the New Company, as its creature was called, in an effort to stimulate the fur trade among the inhabitants.

Prior to this concession the fur trade had been carried on mainly at the settlements, but under the aegis of the New Company a new type of trader made his appearance. They were the coureurs-de-bois who not only went forth into the wilderness among the Indians, but many even settled among them, and not a few relapsed into their barbaric mode of living. Always there was the free-lancer or governmental licensee who suffered little restraint in his dealings with the natives, often cheating them and abusing them shamefully, particularly when under the influence of spirits.

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[32] The Foundations of American Nationality—Greene, p. 209.

The New Company, or Company of Inhabitants was under obligations to pay the debts of the Hundred Associates in return for the concessions accorded them. Organized by eight unscrupulous men in Quebec they cheated indiscriminately the Associates, the Indians, the local government, and the government of France. Finally Louis XIV lost patience with the entire blundering mess, and calling together the few remaining members among its shareholders he caused them to vote their dissolution and the surrender of their prerogatives to the crown.

Canada became a royal colony in 1663. Before that Canada had been ruled by a governing council constituted by royal authority, in which sat the governor, the superior of the Jesuits and a representative from each of the three leading towns. This compromise system created by Mazarin in 1647 did not survive the imperious will of the Grand Monarch when he compelled the dissolution of the moribund Associates.

Continuing his forceful policies Louis XIV organized the Company of the West Indies with a monopoly of French trade in the New World. With accustomed energy he caused the sale of shares in the new company to be pushed by the town councils after graciously sending them autographed letters to that effect. Bishops were urged to invest, and appeals for that purpose were made at the church doors. Nobles were permitted to engage in the enterprise without losing caste. Power to grant titles of nobility were conferred upon the directors of the West Indies Company, though the French nobility conscientiously snubbed any who presumed to standing by virtue of those letters. Even Jews were permitted to emigrate, but this privilege was not extended to Protestants.[33]

THE FRENCH POLICY ONE OF ENLIGHTENED DESPOTISM

Everything that an enlightened despot could do to stimulate the growth of New France was undertaken by Louis XIV, but his unexampled energy and the perspicuity of his minister Colbert was brought to naught by the limitations of the social system of which they were the head and the arm. The king's sole word was law in Canada. During the early years of his reign the Parliament of Paris —which really was only a court of law, possessing absolutely no legislative authority—ventured to exercise its privilege of refusing to register the royal decrees, which was a necessary step before they became effective. But after a while the parliament learned its proper place in the scheme of government as Louis XIV conceived it, and dutifully registered his will without cavil. In Canada, the king made sure that no registration should be necessary. Mere promulgation was deemed sufficient.

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[33] The Rise and Fall of New France—Wrong, Vol. I, p. 366.

Louis' meddling in the affairs of the West Indies Company defeated his own ends. "While he forced many towns in France to subscribe for its shares," says Wrong, "he also forced upon the Company his own choice of directors. No important French company was left to itself. . . . The persons engaged in growing sugar were able to secure a royal order that only raw sugar might come in from the sugar colonies. The cloth makers secured the same prohibition for rival fabrics from the East. Capital had no security from such interference and all the companies languished. . . . Officials ruled in Canada; but there was overriding authority in France which in the end took in charge the minute affairs of administration. It was efficient in the sense that it neglected no detail, but not so, in the end, could a growing colony be governed."[34]

Professor Wrong's criticism of the protectionist policy of Colbert will be valued in its theoretical and practical aspects when we come to consideration of the tariff question as it arose in the United States. But obviously it requires something more than the benevolence of a government to make its economic progress respond to the desires of its political program; for the fact remains that the French Company of the West Indies survived only ten years despite all the paternalistic care that was bestowed upon it.

There is no schematic outline which, if carefully followed, will result in a successful colony. Spain, England and France each faced problems peculiar not only to the land which they gathered under their control, but also to the character of the people who came to settle and rule in their colonies. The human factor was a determinant influence, which in turn was determined by the social conditions prevailing in their native land.

All will agree that population is essential to a land's prosperity. The Spaniards found their population ready at hand and proceeded to subjugate them to their will. The English brought their population with them, and under the beneficent institutions they established, their numbers waxed with their prosperity. When Jean Talon came to New France as the intendant or special representative of the rights of the king he took a census of the colony's resources. In 1666 there were exactly 3,215 French in the whole of Canada, 2,034 of whom were males. There were among them 4 lawyers, 4 surgeons, 20 shoemakers; but there were one hundred engaged in religious activities—54 priests and 46 nuns. These are significant figures not only for the situation presented by their totals, but even more so for the character of their numbers.

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[34] The Rise and Fall of New France—Wrong, Vol. I, pp. 368-72.

At first glance the priests were altogether out of proportion to the population. But that is judged by English colonial standards. To the Catholic Church, its parish was half a continent, while the subjects of their missionary zeal were uncounted. The old system, as Talon now perceived it, was not the means of creating an empire, which was his main purpose. It was not even the means of enrichment, as the merchant mind conceived it. He therefore set about with extraordinary will to remedy its defects.

Population and industry were the cardinal elements of the ambitious program upon which he launched. It was he who appealed to the king for French wives for the colonists, and at a previous point of our discussion we noted in what manner it was met. He encouraged the construction of mills for the weaving of cloth and wool. Copper and iron mines were to be worked. Agriculture was to be nurtured, and cattle bred. The anomaly of Canada as an importer of food was to be ended. The creator of wealth was to assume the place formerly occupied by the mere trader in wealth.

LOSING STRUGGLE AGAINST A DECADENT SOCIAL SYSTEM

It was Talon who influenced Frontenac, the governor and lieutenant-general of New France to send out the expedition which resulted in the discovery of the upper reaches of the Mississippi and the establishment of the fact that it must empty into the Gulf of Mexico. This expedition was organized by Joliet, and Marquette, a Jesuit missionary, attached himself to the group. Nine years later, in 1682, a fur trader, La Salle, started on his great adventure which began at the Great Lakes and ended with the descent through the Father of Waters to its mouth, and the taking of the entire Mississippi basin in the name of France. The valley was called Louisiana in honor of the king. A few years later La Salle planted a French colony at Fort St. Louis in Texas, coming directly from France through the Gulf. He arrived that far west of his goal, which was the mouth of the Mississippi, due to an error in navigation. It was this settlement which later became the basis of the American claim to Texas as being part of the French territory surrendered to us by virtue of the Louisiana purchase in 1803.[35]

But colonial enterprise under government auspices, the only auspices possible under the French system of centralization, cost a great deal of money. Louis XIV was too deeply involved in European affairs to spare much time, men or money on colonial affairs directly. He wrote Talon telling him that less money was to be spent on colonial enterprises. Colbert objected that it was impossible to maintain those ventures and still support an army of two hundred thousand men in France and keep on the seas a hundred vessels of war against England. He complained that in six years Canada had cost three and a half million livres, or equal to some weeks of the cost of his military establishment.

France had to choose between European glory or colonial adventure. In such a choice the colonies lost out. Talon found himself thwarted by the growing indifference of the king and the inability of his minister to finance this great scheme for Canada's development. Perhaps the entire imperial scheme might have disintegrated, but at this time Talon found an able coadjutor in its new governor, Count Frontenac.

Frontenac was molded on the old stamp of aristocratic despotism plus iron determination, and a constitution to match his spirit. He and Talon were confirmed in the principle that the civil authority was to be supreme in New France over the Church and that the missions were to be accessory to the dominant policies of state. That will, however, was a personal quality of the administrator. Other governors might not be so unyielding in the face of the Jesuits' inflexible policy which did not depend upon the particular characteristics of any individual priest of whatever hierarchical rank.

One of Frontenac's first acts was to issue the injunction that all three estates were to obey the command of the king and his representative. Calling together what he termed the States-General of New France, he proceeded to outline his colonial policy. In all, about a thousand persons were gathered for the ceremony. These included three or four gentlemen whose rank entitled them to represent the nobility. As for the clergy, there was no mistaking who they were or what they represented. The third estate, by sufferance, constituted all the rest of the available colonists.

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[35] On this point see History of the United States—Hildreth, Vol. II, p. 117; History of the United States—Adams, Vol. II, pp. 297-300; The Colonization of North America—Bolton and Marshall, p. 100.

So long as the clergy could not produce a leader whose will was cast in the same indomitable mold, Frontenac had things his own way. But soon the Catholic Church was represented by one who was to assert the unalterable policy not only of the Church as it existed in France but also in New France as an indissoluble part of the communion which looked to Rome for its support and sustenance. Louis XIV had contended for the right to dominate the Church within his domains, and that the bishop of the Canadian diocese was to look to the Archbishop of Paris or of Rouen as his chief. In the end the Grand Monarch yielded in this, as he did so often in later life, to the larger policy of the Pope. The Church in French America was to be amenable to no one but the Vatican; and so it still remains ultramontane as a consequence of that early struggle against Gallicanism.

There ensued a dramatic duel for power between Frontenac and the Church and thus in the solitude of the wilderness was fought out the age-old conflict between the autocratic civil and religious authority for supremacy. The issue indeed was never decided, as its particular fortunes fluctuated between the strength of the respective contestants with changing times and personalities. Under such conditions, agreed Bolton and Marshall,[36] the colony could not advance.

At one time the imperious Frontenac forbade anyone to be absent in the forest for more than one day without proper authorization from the government. Although this regulation was intended primarily to curb illegal coureurs-de-bois it was enforced with equal rigidity against the Jesuits, and it required a specific countermand from Colbert to remove that arbitrary restraint upon their freedom of action. In time the clash between the two forces came to a head, and resulted finally in the recall of the iron-willed Frontenac.

Meanwhile the Company of the West Indies, which was the nominal owner of the colony had passed out of existence in 1674. New France had become the sole personal property of the French king. From thence on Louis XIV disposed of its fortunes as suited his needs of the moment. In 1712 he granted to a wealthy West Indies speculator Antoine Crozat the whole of Louisiana from Mexico to the Great Lakes region for a term of fifteen years. Among the conditions imposed were that he was to bring in settlers from France and slaves from the African coast. All Protestants and Jews were to be excluded. Crozat was to have a monopoly of all trade.

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[36] The Colonization of North America—Bolton and Marshall, p. 97.

After five years of unprofitable venture, he was glad to surrender his grant.[37]

THE MISSISSIPPI BUBBLE

Shortly after Louis XIV's death, the regent of France bestowed Crozat's monopoly upon John Law, who proceeded to organize a speculative enterprise which came to be known in history as the Mississippi Company. Alluring promises of vast riches were held out to prospective investors based partly on colonial enterprises. A tremendous speculative mania seized France.[38] In the end the bubble burst, and hundreds of thousands had lost their money, while Law, the Scotch exile who had gone to France with a gambler's fortune, there embraced Catholicism and risen to be comptroller-general of France, was compelled to flee once more to die in penury in Venice.[39]

No solid basis had been established for the populating of Louisiana, any more than for Canada. To the disadvantages of fur-trading as its chief economic activity, there was an irresponsible autocracy in control of its destinies, while speculators manipulated New France's economy with an eye naturally for their immediate profit in which long range planning could play no part; not even to that degree of cautious prevision which characterized the policies of the associated entrepreneurs of the great commercial nations of England and Holland.

INSTITUTIONAL EFFECTS OF THE JESUIT ORDER IN NEW FRANCE

To these disadvantages must be added that of the influence wielded by the Jesuits. We must consider that religious order in its institutional aspect rather than by the light of its individual components. Few have written of these missionaries with greater understanding or profounder sympathy than Parkman. He thus draws the character of one of them, Noel Chabanel. "He detested the Indian life,—the smoke, the vermin, the filthy food, the impossibility of privacy. He could not study by the smoking lodge-fire, among the noisy crowd of men and squaws, with their dogs, and their restless, screeching children. He had a natural inaptitude to learning the language, and labored at it for five years with scarcely a sign of progress. The Devil whispered a suggestion into his ear: Let him procure his release from these barren and revolting toils, and return to France, where congenial and useful employments awaited him. Chabanel refused to listen; and when the temptation still beset him, he bound himself by a solemn vow to remain in Canada to the day of his death." [40]

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[37] History of the United States—Hildreth, Vol. II, p. 281.

[38] The Crayon Papers—Irving, p. 53.

[39] History of France—Guizot, Vol. V, pp. 12-18.

All their efforts were directed toward the supreme mission of conversion. For that purpose chapels were built, the sick were nursed, the Indians taught the arts of our civilization within their means, and altogether by principle and precept to live the life of the great Character whom they endeavored to portray. Crowds gathered from afar to gaze in awe at the impressive ceremony of the chapel. No matter what else the Jesuit would forego in the privations of his journey, he would bring with him the vestments of his holy office, both to inspire the religious sentiment and to impress the senses with its dignity and its mystery.[41]

These heroic black-garbed strangers who feared neither death nor torture, and willingly embraced both for the glory of their Lord could not but arouse within the breasts of their savage listeners the profoundest emotions of awe and admiration. Many of them indeed suffered tortures which mercifully were spared Him for whose sake they embraced their doom. Their unflinching fidelity to duty was their best protection against continued persecution. In time fear changed to friendship and that to admiration, and finally through love to devotion. France's noblest contribution to the New World was the undying glory of its missionaries.

Generous support from the charitable at home impelled the establishment of hospitals where the saintly inmates of the convents ministered to the sick, the maimed and desolate. The entire life of the colony was wrapped up in missions, convents, religious schools and hospitals. Quebec presented an austere aspect which outdid even the most puritanical of Puritan New England. It was the purpose of New France's founders to make of that vast territory a haven for the Catholic from which all dissenters were to be rigidly excluded.

"To live in New France," said one of the Jesuits, Le Jeune, "is in truth to live in the bosom of God. Any one of those who die in this country and goes to perdition, I think he will be doubly guilty." [42] The Society of Jesus is timeless in its operations. The exigencies of the moment meant nothing in its long-time purpose. Their inflexible resolve was to save the New World, at least, from the tragedies of the schism among Christians in Europe.

From its apparently inexhaustible reservoir of human material they selected missionaries peculiarly fitted for their special tasks.

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[40] Jesuits in North America—Parkman, Part Second, p. 195.

[41] Ibid., p. 221.

[42] Jesuits in North America—Parkman, p. 252.

Even the bitterest opponents of Jesuitism will concede that among its most brilliant chapters are the records of its representatives among the Indians of New France. But that cannot be said of its results among the white population whom they contrived by their politics to keep in a state of temporal vassalage, as by their preachments they kept communicants in a state of spiritual subjection.

Free spirits could not survive the stifling atmosphere of Jesuitical uniformity and conformity. They fled to the forests to embrace the freedom of the savage, and were in turn received into the bosom of Indian society, adopting their language, their customs and finally their daughters as wives.

WHY THE JESUITS FAILED IN BOTH THEIR TEMPORAL AND SPIRITUAL OBJECTIVES

But in the end, the Jesuits failed. They failed both as Catholics and as Frenchmen; for when the critical time came in the conflict between France and England for the mastery of the North American continent where their pretended rights or professed interests clashed, the Jesuit proved himself to be above all a Frenchman. That is the subtle defect of these international organizations. Whatever their distant ends may be, they must operate through temporal organizations within definite political sub-divisions. At the critical moment they must champion the side where they happen to be or suffer reprisal, perhaps expulsion.

In the wars with the English it was not a question of the right or the wrong of it, but one of supporting their government at all costs. Some of the costs were not what devout Christians, though patriots, could well bear. Parkman tells us of the achievements of the Jesuits as they affected the tactics of the Indian warrior. It was still true, he concedes, that the savage burned his enemies alive, but he rarely ate them, "the improvement was not great, but it was distinct;" a nicety of distinction, however, which escaped the notice of their victim. He admits that only a few hundred tamed savages gathered at the stationary missions in various parts of Canada one hundred years after all the heroic toil of the missionaries. The subdued Indians melted away before the refinements of civilization even more than before its implements of war.[43]

It is an ironic observation that the redman took with far greater avidity to the white man's liquor and to his weapons than he did to his preachments. Both reacted with multiple consequences upon their doubtful benefactors rendering more insecure the uneasy foothold of the white man upon the outskirts, and frequently within the settled towns. "The influence," writes Hildreth, "which the French missionaries had acquired by persevering self-sacrifice and the highest efforts of Christian devotedness was now availed of, as too often happens, by mere worldly policy, to stimulate their converts to hostile inroads and midnight murders. Religious zeal sharpened the edge of savage hate. The English were held up to the Indians not merely as enemies, but as heretics, upon whom it was a Christian duty to make war. If the chaplet of victory were missed, at least the crown of martyrdom was sure." [44]

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[43] Jesuits In North America—Parkman, pp. 417-18.

This always cautious historian allowed himself to be carried away by the mellifluous tones of his own rhetoric in this unusually vivid display. Surely the Indian would be unlikely to draw distinctions concerning the merits of creed and ritual with the nicety of a European, and as for the crown of martyrdom, the approbation of his own war gods and fidelity to his own untamed instincts were incentive enough for the ferocity he sometimes displayed. However, we will see that in the consideration of traits of Indian character in our analysis of the English colonial system, no better champion of the Indian's cause could be found than this self-same Hildreth.

FRENCH ENGRAFT FEUDAL RELATIONS IN THE CANADIAN WILDERNESS

High among the factors which contributed toward the unprogressiveness of Canada was the endeavor to engraft upon the New World the feudalism which was dying in the Old. We shall see that the Dutch in New York attempted, and in fact did carry out, such a socio-economic policy, as later on Locke tried to do, unsuccessfully, in Carolina. Professor Wrong attempts to establish a similarity between the conditions which brought feudalism into existence in the Old World and the New.[45] However, he would have been more fortunate had he analyzed their differences. In the first place, feudalism in Europe was a natural process; that is, it arose spontaneously as the only effective solution for the disorganized state of European society after the collapse of the strongly-welded Roman Empire. Essentially it was based upon service for protection, with the serfs as the producers of wealth. Towns, as it were, developed within the interstices of feudal society.

[44] History of the United States—Hildreth, Vol. II, p. 132.

[45] The Rise and Fall of New France—Wrong, Vol. I, pp. 400-1. Later on (p. 414) Wrong points out that defense in Canada was not the problem of the seigneur but of the government.

In the New World, conditions were vastly different. Feudalism was ushered in as a consciously devised pattern of social organization. What was the crying need of Canada was population, the need for people to fill in and build up that vast empire which with Louisiana covered half of the North American continent. Obviously the writ of the king which ran wherever there existed an outpost or a mission was protection enough as far as it went in the wilderness. No one ever complained about lawlessness on the part of the whites; and for their part, the French found no difficulty in subduing the Indians once they really set their hearts to it.[46] Five hundred French regulars adequately armed and properly led were sufficient to overawe the strongest force the Iroquois could muster.

The real reasons for the establishment of feudalism in Canada were three; first, to aggrandize the best available land, and so derive an income from settlers upon it; second, to establish a colonial landed nobility upon that status which was traditionally associated with the aristocratic class in society; third, to stimulate the possessors of large holdings to bring over tenants for their fields.

A LANDED COLONIAL NOBILITY IS CREATED

Talon discovered to his amazement how lavish the old Company of New France had been with parcelling out vast landed estates among its directors. Later when Louis XIV undertook to reform the colonial policy he discovered a veritable hornet's nest in each of the property rights thus created. Eventually the land was surveyed after a fashion, the conflicting claims were composed, and the original grants cut down by about one-half. Letters of nobility were granted to land-owners and the seigneur was established in a mansion among his estates. A natural limitation for these feudal estates existed in the fact that they had to front on a main river. The result was that they assumed the form of strips limited as to frontage but extended enormously inland.

Difficulties presented themselves with the coming generations by the necessity of subdivision among the male heirs, according to the French custom, in contradistinction to the English system of primogeniture whereby the eldest son inherited the estate. In time the strips became narrower and narrower, since access to the river as the principal means of communication and transport was a prime essential. Also according to the system adopted by the English for supplying necessary timber for their navy, oak trees suitable for ship building had to be reserved for the king's use. A mill was to be erected for the common use of all tenants. This also served as a means of defense if the occasion should arise. The Catholic Church through its various orders became one of the great landowners. The Jesuits owned tracts in Quebec of hundreds of thousands of acres of the best lands along the river highway,[47] while the Sulpicians were the feudal owners of Montreal.[48]

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[46] History of the United States—Hildreth, Vol. II, Ch. XIX.

FEUDAL OBLIGATIONS OF CANADIAN TENANTS

Definite obligations were due from the tenant for the benefit of the seigneur. First there was the payment of token rent, called Cens et Rentes, signifying that the tenant, or habitant, did not hold his land in fee simple, recognizing thereby the status of the land relationship. This rent was nominal, such as a small quantity of the fruits of the soil or of the barnyard. This payment was due on a definite day for all tenants to be made by them in person, and naturally was the occasion of a get-together at the mansion, making it a scene of general jollification. Incidentally, the accumulation served as the seigneur's principal source of supply for his household.

The second form of rent was a payment due to the lord when the land of his tenant was transferred, either to his heirs or to another. This was called the Lods et Ventes, and was important only when the growth of population at favored spots resulted in the establishment of a considerable settlement or town. The third form of rent came to the lord by virtue of his monopoly over the grinding mill, called the Droit de Banalite. Since no other mill could be erected on his property, the tenants had to take their grain to this communal necessity. For the privilege of grinding the seigneur received usually one-fourteenth of the total. Some attempted greater exactions, but upon protest, Louis XIV threatened to extend to tenants the privilege of erecting their own mills.

Besides these rights of the lord, there was due him from the tenant the Corvee, or free labor for definite purposes, such as ploughing, seeding and harvesting upon the lands reserved for the seigneur's own uses. Claims upon this free labor extended to assistance in building the manor, and the repair of roads and bridges. In the New World the peasant was in a position to protect himself against too many exactions for this kind of labor, particularly upon the lord's estate.

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[47] The Rise and Fall of New France—Wrong, Vol. I, p. 399.

[48] Ibid., p. 460.

Marx describes in his usual vivid fashion the trickery resorted to by the feudal lords of the Old World in extending the exactions of corvee labor beyond all rational limits. "With deep insight into the practical aspects of political economy," he wrote, "the working day is not taken in its ordinary sense, but as the working day necessary to the production of an average daily product; and that average daily product is determined in so crafty a way that no Cyclops would be done with it in twenty-four hours. In dry words, the Reglement itself declares with true Russian irony that by twelve working days one must understand the product of the manual labor of thirty-six days. . . . The corvee days of the Reglement Organique," cried a Boyard, drunk with victory, "amounts to 365 days a year!" [49]

Such brutal exactions of free labor were impossible in Canada, but there can be no question of the struggle involved in this clash of diametrically opposed interests. Professor Wrong tells us that "the habitant had an acute sense of his own rights." [50] Such, for example, as the seigneur's claim to one fish out of every eleven caught in the river, to which the tenant objected, as an invasion of his inalienable right to nature's bounty in God's waters.

The feudal owner of land possessed by virtue of his position the right to administer justice for offenses committed by his tenants while on the land. This, too, was a fruitful source of abuses, and not a little of income due to the exaction of exorbitant fines. However, practice soon compelled the curtailment of these abstract privileges to that of a police magistrate over minor offenses. Nevertheless, this relationship was not one conducive to the growth of an independent spirit.

CONTRASTING ANALYSES OF THE HISTORIC BASIS FOR FRENCH AND CANADIAN FEUDALISM

Greene is of the opinion that on the whole "Canadian feudalism seems to have worked fairly well." [51] In this judgment Professor Wrong agrees.[52] Hildreth held the contrary view. "The colonial government," he wrote, "was a military despotism; the land was held on feudal tenures; the mass of the colonists, unaccustomed to think or act for themselves, had little energy or activity of spirit." [53] A mass of opinion for either side or a neutral side could be gathered with little trouble from the library shelves.

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[49] Capital—Marx, Vol. I, pp. 262-3.

[50] The Rise and Fall of New France—Wrong, Vol. I, p. 407.

[51] The Foundations of American Nationality—Greene, p. 214.

[52] The Rise and Fall of New France—Wrong, Vol. I, p. 401.

[53] History of the United States—Hildreth, Vol. II, p. 121.

But these matters cannot be decided by mere weight of authority. Everything depends upon the meaning of terms and the individual writer's point of view. It would be puerile to contribute our own. The scientific historian is concerned only with explaining the differences in the colonial policies of the great European nations and to discover through the analysis of their internal laws of motion why certain policies resulted in the way that they did.

For obviously all of them failed, in so far as the future United States was concerned, in their chief purpose, which was to contribute to the support and the well-being of the mother country, and therefore to the welfare of the colony itself. No nation ever undertook the burden of colonial enterprise out of sheer concern for human welfare; it is needless to enlarge on this point, regardless of their abstract professions. If it can be shown that feudal institutions where transplanted to the New World resulted in defeating the primary purpose of the colony—mother country relationship, then that policy was historically defective. There must be a definite connection between the means employed and the objectives aimed at.

If Greene implies, as he does, that the feudal relationship worked out well on the whole, his objective then in the analysis was the establishment of some form of definite social organization where the parts interdigitated with the minimum of friction. But formal organization in itself is not enough. There does not exist a single form of gregarious living on the face of the earth without some definite form of social organization.

But here is a feudal form introduced into the New World by Talon acting under the close scrutiny of his king. Their object was to establish a strong, self-reliant colonial society which by its very existence would contribute to the power and influence of France, leaving out of consideration the specific material advantages which might be derived by either side. It must be a matter of profound interest to the historian to analyze the practical workings of the system. Good or bad are meaningless terms. One must relate them to some objective utilitarian principle in order to demonstrate their significance, their usefulness or their futility.

If success in war were the prime consideration, there is much that could be said for the French system. It was conducive toward a central, unified control and multiplied the effectiveness of their armed strength by the solidarity of command, and the speedy mobilization of its forces. That is one side of the problem. The other is that the feudal system of land tenure inhibited the rapid development of the colony, its population and its resources. What it gained in military efficiency it more than lost in the slow growth of its population, its lack of economic development consequent upon feudal form of organization, and in its greater dependence upon the mother country for support in a long-sustained conflict with English forces.

That this ultimate conflict for supremacy in North America was impending was evident toward the close of the seventeenth century and was consummated finally by the victory of England upon the Plains of Abraham before Quebec in 1759. When placing in juxtaposition the overwhelming resources of the English colonies with those of the French in that long drawn out conflict, we must bear in mind that both were the consequence of definite social factors operating in both the Old World and the New which reflected itself in the outcome of the issue.

It is incumbent upon us to prove by the application of the principles of the Historical Field Theory to the well-recognized facts of the social system indigenous to France and England that the mode of operation of the social forces within their particular social continuum was the effective agent for setting in motion and bringing into being the particular elements of their respective colonial systems which contributed to their weakness or to their strength.

CAUSES OF THE FAILURE OF THE FRENCH COLONIAL SYSTEM

France in Europe had not yet divested itself of the feudal garments of its phase of historical development. It attempted therefore to establish similar feudal relations in the New World. England was fully launched upon the commercial phase of modern capitalism. She attempted therefore to make her colonies amenable to its commercial policies.

France and England both failed in their grand objectives toward which their systems pointed, but for opposite reasons; France because she succeeded too well, and England not enough. Feudalism at home and abroad lost France her colonies; while the political principles engendered by the free spirit of commercial enterprise developed a social outlook which rendered the interests of England and of her American colonies incompatible and ultimately irreconcilable. We will in due time consider why it was so. But first we must complete the analysis of the fundamentals of the French colonial system to establish beyond cavil the factors which contributed toward its downfall.

It was easy to create a Canadian nobility; it was easier still to fill its ranks; but it was a far different matter to endow its honors with universal validity. Among the genuine French nobility the Canadian upstarts were treated with derisive contempt. But for the colonial seigneur who did not presume upon honors by intruding himself into the society of France, there was much to compensate him at home.

First, he was invested with impressive ceremony by the king's representative in Quebec. All the ancient rituals were observed, from the kneeling, spurring and sword clapping on the shoulder, with the taking of fearsome oaths to the faithful service of the king in war and peace. Since the seigneur paid nothing for his grant of land, but received it as a recognition of service to the crown, should he subsequently sell the land a portion of the price, usually one-third, was remitted to the crown.

The tenant, or habitant, stood before the seigneur with head uncovered, and respectful in attitude and speech. The seigneur was the god-father of the first-born, and took a paternal care in the welfare of all dependent upon him. He was their leader in war, their provider in distress, and upon great holidays his blessing was sought after with as much concern as that of the priest. He was the mediator between the crown, the Church and his people. In all points he was the benevolent father of his people, just as the priest was the spiritual keeper of their conscience.

In all respects, it was the reproduction in the Canadian wilderness during the seventeenth century of the European social system of the eleventh century. Said Professor Wrong: "Defects in the system were summed up by the engineer Catalogne in 1712. The methods of farming were backward; some seigneurs were lazy and shiftless; there should be four times as many people on the land; the numerous Church holidays interrupted labor at the most critical season of the year; the farmers kept too few horned cattle and had for their pleasure too many horses; the roads were bad; the lure of the life of the forest was too potent. To remedy defects, incessant appeals went to the government. But its officials were sometimes corrupt, and, when they pleased, paid as little heed to the commands of the distant court as to the complaints of the people." [54]

The easy-going seigneurial style of living made for a pleasant existence but hardly for a progressive one, when confronted with the virile civilization of the independent entrepreneur which was being built up by the English along the Atlantic seaboard. The general form of French civilization in the New World was already established at the dawn of the eighteenth century. For the remainder of its history, the future scenes were the working out of a drama to its logical conclusion as if some great writer had skillfully arranged the play.

[54] The Rise and Fall of New France—Wrong, Vol. I, p. 416.

CHAPTER IV

Dutch and Swedish Colonial Ventures

PROGRAM OF THE DUTCH MERCHANT COMPANY

As an incident to the search for a shorter route to India the Dutch stumbled upon the mouth of the Hudson River. Eventually they organized the West India Company for the purposes of trade, chiefly in furs. A scheme for colonization was drawn under the auspices of the company with their board of directors, called the College of Nineteen, in active control of New Netherlands; and with its interests in the safekeeping of a director-general for the colony to be established there. As an inducement for securing colonists, it was agreed that any member of the company who brought over fifty persons over the age of fifteen was to be endowed with the title of Patroon and to a grant of land sixteen miles along a navigable stream or eight miles if both sides were to be occupied, with an indefinite extension inland.

Indian title was to be extinguished by agreement, usually in the form of purchase and payment; as with the famous purchase of Manhattan Island. The company reserved the exclusive right to the trade in furs. Free settlers were entitled to as much land as they could cultivate. "The colonists, however," wrote Hildreth, "were forbidden to make any woolen, linen, or cotton cloth, or to weave any other stuffs, on pain of being banished, and arbitrarily punished as 'perjurers'—a regulation in the spirit of the colonial system adopted by all the nations of Europe, which sought to confine the colonists to the production of articles of export, and to keep them dependent on the mother country for the most necessary manufacture." [1]

The patroons performed the bare minimum required by the terms of their grant, and even claimed far beyond the specific provisions which engrossed the fur trade for the benefit of the company as a whole. Fine technicalities were spun concerning the right to trade where no company post existed, or along unoccupied shores, or within the boundaries of the patroonship. Plainly their chief interest lay in the profitable fur trade with the Indians, in competition with the traders of the English and French. Despite this, the Dutch managed to bring over or attract settlers in large numbers, with the result that in forty years they had within their province a population larger than that of the whole of Canada, when the English ousted the Dutch from New Netherlands in 1664.

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[1] History of the United States—Hildreth, Vol. I, p. 143.

All political power was in the hands of the Dutch West India Company, though nominally the Netherlands' States-General was supreme. The local inhabitants asserted some advisory privileges through representatives of their own selection, but they were an extra-legal body, and their irregular status nullified whatever weight their council might possess. We have noticed companies organized by an autocrat in France; but now we come in contact for the first time with a trading company organized by a nation dominated by merchantmen in the heyday of commercial capitalism.

Holland at that time was the leading maritime power in the world. Spain had been humbled both on land and sea. France had yet to realize the ambitions of Richelieu and Colbert who desired so much to build up France as a naval and commercial power. England was in the throes of preparing for the great Rebellion. Holland's effective political future was in the hands of its merchantmen organized as trading companies, principally the East India Company.

Futile efforts had been made in 1607 to establish the West India Company. "The company," wrote Motley, "was to maintain armies and fleets, to build forts and cities, to carry on war, to make treaties of peace and of commerce. It was a small peripatetic republic of merchants and mariners, evolved out of the mother republic." [2] Bancroft marveled how, when it was finally created in 1621 with a gift of five hundred thousand florins from the States-General, a nation of merchants would allow a private enterprise to appropriate continents and exercise unlimited sovereignty with but a gesture of control from the central political organ.[3] His historical methods did not permit him to see that a new epoch was dawning in history unrecognized at that time by the great world powers of the day, just as political statesmen of all times have been blinded by the character of their problems from analyzing the nature of the social forces which they endeavor constantly and ignorantly to manipulate in a fashion.

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[2] The United Netherlands—Motley, Vol. IV, p. 298.

[3] History of the United States—Bancroft, Vol. II, p. 38.

RISE OF COMMERCIAL CAPITALISM IN HOLLAND

Modern capitalism was dawning in its first commercial phase. It is the inherent necessity of all enterprise based on individual initiative, even when operating collectively through an association, to obtain the greatest possible freedom of action with the least possible degree of governmental control. Dutch merchants were among the foremost in the organization of commercial capitalism in the modern sense, and we notice that the first step of the West India Company was to secure a comprehensive charter, a grant of public funds, and the right to operate without hindrance.

ROLE OF THE COMMERCIAL TRADING COMPANY

Adam Smith condemns severely the policy of permitting commercial colonies to exercise sovereignty over those territories in which they have obtained monopoly rights. "The government of an exclusive company of merchants is, perhaps, the worst of all governments for any country whatever." [4] Smith is guilty of the usual anachronism of making the needs of the early industrial phase of capitalist development, from which standpoint he wrote, the unalterable measuring rod for evaluating social developments from the beginning of time to the end of eternity. He never recognized, nor did his disciples after him, that each historical period creates both its problems and the means for meeting them.

The point of view of the merchant essentially is that of buying cheap and selling dear. Monopoly tends to abuse and stagnation in the attempt to maintain the status quo under all circumstances. Associations of merchants for foreign trade during the seventeenth century were as natural a product of commercial capital as trusts in the twentieth century were of industrial capital. The masses of capital required for overseas commercial enterprise were too great for an individual merchant.

Besides there was the risk of competition and the depredation of other nationals who were their chronic or intermittent enemies. The exigencies of commerce with distant and partly known lands impelled prudent preparation for all eventualities. Government itself had never been distinguished in productive enterprise, and the only practical solution was the pooling of resources by the shareholders of the company among whom profits and losses were to be apportioned in relation to their ventures.

[4] The Wealth of Nations—Smith, p. 537.

Smith's objection to the commercial companies of those days was based primarily upon their monopolistic practices, and only incidentally upon the abuses which were inextricably woven into their grant of sovereignty over the territories to which their privileges applied. The Dutch West India Company existed primarily for the profit of its investors, and the pursuit of private interest is not always compatible with that of the national interest. In time the company succeeded in losing both Brazil and the New Netherlands, illustrating by their policies the truth of the maxim that merchant companies are inherently unfit to govern its territorial possessions.[5]

Holland in the early seventeenth century was ruled by an oligarchy of merchants, while nominal power rested with the aristocracy. The long struggle to expel the Spaniards had strengthened rather than weakened the resources of the nation. Its population doubled in a short time by the liberality of its laws,[6] and opening its gates wide to the persecuted of all lands. English Puritans found a haven there as did the Jews driven out of Spain and Portugal. The guilds had developed industry, trade and commerce.

"And so," summed up Motley, "struggling along their appointed path, making cloth, making money, making treaties with great kingdoms, making war by land and sea, ringing great bells, waving great banners, they too—these insolent, boisterous burghers—accomplish their work. True, the mighty power of the purse develops itself and municipal liberty becomes a substantial fact. A fact, not a principle; for the old theorem of sovereignty remains undisputed as ever. Neither the nation, in mass, nor the citizens, in class, lay claim to human rights. All upper attributes—legislative, judicial, administrative—remain in the land-master's breast alone." [7]

Panegyrists upon the democratic tendencies of capitalism have but to study the development of the Dutch Republic to observe that the capitalist class did not spring forth with democratic principles full-blown, but on the contrary, waged a plodding, pragmatical struggle for greater power only for themselves, and only as the situation made such power necessary for its own purposes.

In the New World, these Dutch merchants established a closely knit oligarchy with complete control vested in the company and exercised through its own appointed director-general. Several times the inhabitants petitioned for a greater measure of participation in the affairs of the colony. Finally, after some bitter conflicts, the

[5] The Wealth of Nations—Smith, p. 711.

[6] The Puritans in Holland—Campbell, Vol. II, p. 321.

[7] The Rise of the Dutch Republic—Motley, Vol. I, p. 27.

people were permitted to elect a list of eighteen, from which number the governor selected nine who were to act in an advisory capacity.[8]

THE DUTCH FEUDAL PATROON SYSTEM IN NEW NETHERLANDS

In the upper reaches of the Hudson and further in the interior, these Dutch merchants who became patroons established themselves in baronial style, with mansions, retainers and peasant tillers of the soil according to the best feudal traditions. When the British took over the colony in 1664 these grand seigneurs were left undisturbed after having foresworn their former allegiance, just as their successors succeeded in doing during the American Revolutionary War. In 1846 the New York State constitutional convention had to wrestle with the remnants of feudalism which had survived the perturbations of history, and only by further constitutional amendment in 1938 were the last vestigial remains of feudalism removed from the great liberal Empire State.

It is important to note that the capitalist class was not democratic either by nature or necessity. We shall observe later that while they set in motion the economic forces which led to the American Revolution, they did so only pragmatically, as incidental to the service of their own interests, and when later they realized the social significance of the forces they had set in motion, the commercial class did everything in its power to stem the tide, but too late to resist the onward sweep of history in which they had played blind roles. Most of them were Tories during that struggle, and a great proportion of them went over to the British side. There is nothing consciously progressive about the role of the capitalist class in history. That they did play a progressive role was not within the scope of their intentions, and in the gross, contrary to their desires.

THE ALLEGED CIVILIZING INFLUENCES OF COMMERCE

It is customary among platitudinous writers to dwell upon the civilizing influences of commerce. Whatever civilization commercial capitalism introduced was incidental to its chief purpose, which was to make profits. Often enough the most barbaric practices were resorted to in order to achieve its objective.

Bancroft describes with consummate irony one of the civilizing aspects of commerce, according to the abstract notions of the apolo-

[8] The Colonization of North America—Bolton and Marshall, p. 172.

gists. "In the month of August, 1619," he writes, "a few days only after the first representative assembly of Virginia, about sixteen months before the Plymouth colony landed in America, and less than two years before the concession of a written constitution, and five years after the commons of France had petitioned for the emancipation of every serf in every fief, a Dutch man-of-war entered James River, and landed twenty negroes for sale. This is, indeed, the sad epoch of the introduction of negro slavery in the English colonies; but the traffic would have been checked in its infancy, had its profits remained with the Dutch." [9]

For many years these doughty Dutch merchantmen were the sole traders in human flesh, but once the market became really profitable competition was not lacking from Bible-sniffling New Englanders, among others.

Our sturdy Dutch followed the same enterprising methods among the Indians. Since the Iroquois were in intermittent conflict with the French, it was perfectly good business—at least not worse than selling munitions to present-day European combatants—to supply the red-skins with hatchets manufactured in the Old World with which to slaughter their white brothers in the New, all in fair exchange for perfectly good furs, which were sold again for bigger and better hatchets. In full truth, the French fur traders were not above returning the compliment, with firearms and firewater to boot.

Marx establishes a fundamental proposition that the independent development of merchant capital stands in inverse ratio to the development of society.[10] It seizes upon conditions as it finds them and makes exorbitant profits by exploiting unmercifully both ends of the cycle, the producer and the consumer, particularly where they are far apart. Hence the greatest profits were made by European merchant capital in the trade with the Far East, or through the fur trade with the Indians. So long as merchant capital predominates, it is content to allow conditions of production to remain as it found them. This accounts for the general unprogressiveness of the Dutch colony in comparison to that of its English neighbors, as Adam Smith pointed out.[11]

CAUSES OF THE DECAY OF COMMERCIAL HOLLAND

While it is true that the English colonies started out under the aegis of merchant companies, they did not long remain under their tutelage. The Dutch West India Company continued in sole control of New Netherlands until it was finally ousted.

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[9] History of the United States—Bancroft, Vol. I, p. 139.

[10] Capital—Marx, Vol. III, p. 386.

[11] The Wealth of Nations—Smith, p. 537.

Close students of history have pondered upon the causes of Holland's decay after the seventeenth century. Marx notes that during that century she was undoubtedly the wealthiest nation in Europe, her fluid capital being more important than that of all the rest of Europe combined.[12] Petty, a noted economist, estimated that the Dutch merchant marine of that time consisted of 900,000 tons, while the official reports of 1701 put the total English tonnage at 261,000.[13] Sir Joshua Child, a famous English merchant and one of the founders of the Bank of England, pointed enviously to the Netherlands as an example for his countrymen, and urged the further extension of commerce as the certain road to national riches.

Despite her opulence, Holland decayed. Perhaps it would be more correct to state that she declined because of her wealth. The too-rapid accumulation of capital could find no outlet. There was a limit to the possibilities of commerce, namely, the productive power of the market where Dutch merchants bought, and the buying power of the market where her merchants sold. The backing up of unused capital resulted in the fall of the domestic rate of interest to two percent.[14]

The close ties then subsisting between England and Holland opened up that market for her capital. Much against her will, but impelled by forces which she could not resist, Holland became the banker of her greatest rival, England. Her capital was the means for the building of that industrial structure which made England for a hundred and fifty years the unquestioned leader of the world economically, and laid the basis of her preponderant world power.[15]

Holland had done for England what Venice in her affluence and decline had done for Holland; namely, she supplied the money for elevating her rival and humbling herself.[16] Thus the Bank of Amsterdam organized in 1609, became a clearing house for funds to invest with the Bank of England, organized in 1694. Eight percent offered by England looked far more attractive than two or three percent, even after making all allowances for greater risk. The ground was being prepared for that industrial revolution which replaced the ascendancy of merchant capital by industrial capital. One of its consequences was the American Revolution, but no one could possibly suspect that during the middle of the seventeenth century, as one took stock of the colonial situation as it then existed.

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[12] Capital—Marx, Vol. I, p. 826.

[13] Puritans in Holland—Campbell, Vol. II, p. 323.

[14] History of the United States—Bancroft, Vol. III, p. 315.

[15] History of England—Macaulay, Vol. VIII, pp. 226-7.

[16] Capital—Marx, Vol. I, p. 828.

SWEDEN'S VENTURE IN THE NEW WORLD

Toward the south of New Netherlands a Swedish colony had been planted on the Delaware River. During the first half of the seventeenth century Sweden had reached the zenith of her rank as a First Class European power. Finland, the Baltic provinces and part of Germany were under her power. Her king, Gustavus Adolphus, was the recognized leader of Protestantism, while his military prowess had made him the master of Germany.

During the reign of his successor, Queen Christiana, some disgruntled Dutchmen interested her ministers upon American adventure, and succeeded in launching the New Sweden Company to promote a colony along the Delaware River. Not only were the leading spirits of the movement of Dutch extraction, but actually half of the capital for this competing enterprise was put up by Hollanders.

But the dominant social system of Sweden was not attuned to colonial enterprise. It was an absolute monarchy suited to the temper of a military leader of Gustavus Adolphus' calibre. With his passing and the accession of his daughter Sweden lost considerable of her prestige, and with that vanished the fear of Holland against Swedish reprisal should she threaten her American possession.

The Swedes came without purpose, and surrendered their American possessions without regret. After ten years only two hundred colonists were settled on the land. It was stylish then to have a New Spain, a New France, a New Netherlands, and therefore a New Sweden. But the mòther-land possessed neither the means nor the energy to come to the defense of her colony, and finally it fell prey to the aggression of the Dutch.

Pretexts for military action are seldom lacking if there is the will and the means to adopt such a procedure. Holland put in a claim to the territory between the South River and the North River—the Delaware River and the Hudson River—as being properly within the limits of New Netherlands. As long as the fame of Sweden's military prowess was still abroad, New Sweden suffered only nibbling and cribbling at her boundaries. Too late did the crown bestir itself for its defense by sending out three hundred and fifty additional colonists. The Dutch outnumbered them ten to one, and with the assistance of a strong naval display succeeded in ousting her rivals from possession of territory which they could not possibly use.

Nine years after this the Dutch were to experience in turn the strong arm of the aggressor. To do England justice, she never recognized the validity of Holland's claim to that territory. But the turmoil of Charles I's reign and its aftermath did not permit the adequate assertion of right by virtue of ejection. In 1664 Charles II granted to his brother James all the lands from the Connecticut River to the Delaware, including Long Island.

The last Dutch governor, Peter Stuyvesant, had seen the shadow of coming events and attempted to compromise with the New England colonies. Eventually he yielded with what composure he could muster to the English, as previously he had compelled the Swedes to yield to him. Thus was completed the English hold upon the Atlantic seaboard from Maine to South Carolina. "In the great series of events which have established the supremacy of English-speaking people in North America," wrote Greene, "this conquest of New Netherland and the Delaware valley ranks in importance with the conquest of Canada in 1760 and the Louisiana Purchase in 1803." [17] Apparently Manifest Destiny was not unknown even in the seventeenth century.

CAUSES OF HOLLAND'S COLONIAL FAILURE

Holland's failure to establish a firmer foothold in the New World —having lost both Brazil and New Netherlands in the brief space of three years—is due primarily to the nature of its colonial policy and the character of the colonists it attracted. Primarily she was a trading nation. Trade does not require an extensive population to be settled, but it does need large capital equipment.

Capital she had in abundance, and all her energies were directed toward the objective of its further aggrandizement. Her patroons staked out their claims and brought over the required number of settlers. It is one thing to bring them over; it was a far different matter to keep them there, as they soon discovered. What self-respecting Hollander would willingly assume the position of a retainer, be subjected to all the demands and restrictions of a feudal patroon, when a few miles away there beckoned to him the freedom of the English colonists? It did not take very long for a considerable Dutch population to be settled in Connecticut, particularly around Hartford.

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[17] The Foundations of American Nationality—Greene, p. 153.

That acute observer and accurate historian, Diedrich Knickerbocker, could not but remark the sombreness of the Dutch as against the light-heartedness of his blood relatives across the boundary. Prudence compelled him to ascribe the difference as being due to different temperaments, but he slyly infers that a large proportion of those transplanted Connecticut barbarians or Yankees, were honest-to-goodness staid Dutch citizens not long ago.[18]

The thoroughly autocratic nature of the Dutch government is observed in the following written by the secretary of the province in 1650: "The burghers upon the island of Manhattan and thereabouts must know that nobody comes or is admitted to New Netherlands (being a conquest) except upon this condition, that he shall have nothing to say, and shall acknowledge himself under the sovereignty of Their High Mightinesses the States-General and the Lord Managers, as his lords and patroons, and shall be obedient to the director and Council for the time being as good subjects are bound to be." [19] To this, there was added an official state church, the Dutch Reformed, and while other denominations were permitted freedom of worship, the very existence of a state religion was an inhibiting element; although, it must be admitted, the times were not propitious for religious freedom as Puritan New England, particularly Massachusetts, was then constituted.

New Netherlands, therefore, labored under very formidable restrictions which militated against the colony taking firm root. Its economy was based upon the fur trade. The practical serfdom to which tenants were subjected on the estates, such as criminal and civil jurisdiction being exercised by the patroon, with his private armed force and prison on his grounds, prevented settlement upon the soil in large numbers.

New Amsterdam was a polyglot town even in those days, with a disfranchised population and an autocratic regime. Across the ocean was a controlling board of merchants, operating through the West India Company, who had but a single objective before them—private gain. To that everything else was subservient, and because of that Holland lost her New Netherlands, with but a semblance of resistance to English aggression.

[18] A History of New York—Irving, p. 124.

[19] Quoted by Greene in his Foundations of American Nationality, p. 147.

CHAPTER V

England's Colonial Policy

A. Evolution of English Society

THE DETERMINING CHARACTERISTICS OF THE ENGLISH PEOPLE

When we come to the consideration of the elements which contributed to the upbuilding of the English colonies from the first settlements until the American nation was evolved, one outstanding factor establishes itself immediately as the decisive characteristic which differentiated them from the Spanish and French colonies. This was the people themselves.

Outwardly, perhaps, there was little to distinguish the colonists of the various national groups when similarly situated. Individually, there may have been little to choose between them. In natural aptitudes, in courage, intelligence, and moral stamina all western European peoples were on a par. Whatever racial differences existed, or could be invented, were demonstrably of no consequence in English colonies where French Huguenots, Irish Catholics, Scotch Presbyterians, German Lutherans, English aristocratic Episcopalians, humble English Quakers, and a rich assortment of minor sects lived on terms of general equality to such an extent that when the critical moment in their history came, they cooperated with sufficient effectiveness to establish by arms the independence which their representatives had declared in congress assembled.

This is the key-note, "in congress assembled," that sets the English colonies apart from every other.

Gipson in the preface to his work on the British empire before the American revolution adverts to the difficulty he encountered in selecting his material from the enormous mass of data. "The degree of my success or failure in this respect," he writes, "must doubtless be determined by individual judgment, for I do not find available any formal, authoritative criterion of selection." [1] He then proceeds to enumerate other special fields of investigation such as boundary disputes, the Great Lakes and the fur trade, the problems of the Ohio Valley and Mississippi basin insofar as they bear on the complex of circumstances controlling the actions of the English, the French and the colonists prior to the revolution.

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[1] The British Empire Before the American Revolution—Gipson, (1936) Vol. I, p. ix.

It must be apparent that the avenues of approach to the subject are many, but, as we have contended, if the approach is scientifically conducted, the conclusions must be the same. Gipson thinks that the value of his investigation may be diminished from his having made an approach guided, perhaps unconsciously, by his own predilections. It is our contention that no matter how the material is selected and considered, once the laws of motion governing the relations of English colonial society are discovered, the conclusions must converge from whatever point of view its historical phenomena are considered.

We started out by stating that the fundamental difference between the Spanish, French and English colonies lay in the character of their political institutions rather than in the people themselves. Obviously the proposition will not be allowed to rest right there. It will be incumbent upon us to demonstrate just exactly in what this difference consisted, how it came about, and what social forces maintained this difference despite the similarity of problems which all three great colonizing nations experienced in the territory now comprised within the United States.

EFFECTS OF THE DIFFERENCES IN THE SOCIAL INSTITUTIONS OF THE PRINCIPAL COLONIAL NATIONS

We have abjured initially any notion of racial superiority in so far as the qualities of the respective peoples are concerned. But the basic equality of the human material does not mean an equality or sameness of the social institutions which aggregates of people will evolve. Every fact of contemporary life proves that though the European, the American, the Latin-American, the Chinese and the Japanese are on the whole made of the same stuff, yet there exists among them, and between them, the widest disparity in the form of their social organization. The course of our investigation has established—no reasonable person ever questioned it—that the same human equality existed among the western European peoples of the seventeenth and eighteenth centuries. We have already presented some of the differences in their social institutions which reflected themselves in the respective colonial policies of Spain and

France. We will now consider the influence of English institutions upon the American colonies.

There is nothing startling in that statement. It is one of the commonest truisms of history, as Bourne observed, that these institutions affected profoundly the life and subsequent development of the colonies. But it is not so easy to establish why that development occurred in just that way at the time that it did. Whether we consider the economic history, the political history, the constitutional history, or some specialized variant of them, each radius must lead to the center.

The trouble with our historians is, as Gipson remarked, that they have been seeking for some authoritative criterion of selection in the mass of data. Such a criterion cannot be found except in the doctrine of individual infallibility of judgment. The science of history cannot be grounded in authoritative dogma, no matter how exalted. It must rely not on personal judgment but upon impersonal laws. When we stated our proposition concerning the character of the English colonies, it was implied that it would be supported by corroborative evidence to establish, first the nature of the social forces which operated in the formation of that character; second, to detail the manner in which these manifested themselves; and third, to describe the nature of the social structure to which these forces gave rise. The only difference that there can possibly exist between scientific historians is in the manner of their approach. Should they discard necessary timber during the process, the final product must show evidence of this defect. The historian may exercise, as he thinks, free will in his approach to the subject, but he will soon find himself involved in a mass of social forces controlled by definite laws of motion once he gets into the swing of his element.

THE ENGLISH WERE NOT A SUPERIOR PEOPLE

No one endows the English people with superior qualities. Their early contact with North America was also inspired by the search for gold. Their first association with the kindly and hospitable Indians was one of ruthless despoliation.[2] Bancroft is merciless in his condemnation of the English policy of deliberate extermination of the Indian, uprooting the native inhabitants with as little compunction as they would trees in the making of a clearing.[3]

[2] History of the United States—Hildreth, Vol. I, p. 83.

[3] History of the United States—Bancroft, Vol. I, pp. 49, 79, 81, 84, 160, 315, Chap. 460-6, 545.

The first colonial enterprises were led by gentlemen-adventurers like Gilbert, Raleigh and Grenville. The usual custom of the time was to obtain an extensive patent; and it is important to note that Parliament's consent had to be obtained to make Raleigh's patent effective. By virtue of its terms he was to be its feudal proprietor, with numerous vassals and a monopoly of the sale of sweet wines. After initial failures which involved him in extensive personal losses, the privileges of his patent were transferred to a company of merchants.

Instantly one is struck by the distinction of methods between English and Spanish and French colonial ventures. In England Parliament must be consulted and consent obtained. Merchant companies are privately organized and operate on their own initiative, subject to the general supervision of the crown, which meant, the legally constituted judicial and administrative organs of government. Another fact which strikes one immediately is the ease with which colonists are gotten together; men who come with families not to live as conquerors exploiting the native population, but who, on the contrary ruthlessly clear the land of all obstacles, human and material, for their own cultivation of the soil. These are the three keys to the character of the English colonists—parliaments, free commercial enterprise, free emigration of a free people. This is painting the strokes too broadly, but these characteristics were already inherent in its people.

Elizabeth had granted to Raleigh's half-brother, Gilbert, a patent in the grand manner, conferring rights of jurisdiction and exclusive trade in a circuit six hundred miles from the point of settlement, provided the enterprise was consummated within six years; but his successor thought it prudent to receive subsequently the sanction of Parliament.

A long and bitter conflict was to ensue lasting a hundred years before Parliament was to be established as the ultimate power in the land, with the Bill of Rights asserted as the quintessence of political achievement. The people who fought this struggle through were of the same stock as those who emigrated to these shores, carrying in their hearts the same burning zeal for freedom—as it applied to themselves. They had not yet learned to concern themselves about its application to others. In no European country outside of the Netherlands was the commercial and burgher class so firmly intrenched, though the feudal spirit was still strong in the land, and the final victory was to be denied them until the accession of William and Mary.

These were the determining characteristics of the English people at the time when the first substantial colony was established in Virginia. Grave struggles were still ahead of them; but struggles equally severe had already been endured during the preceding century, which had steeled them for the trials which they were to experience in the century ahead.

THE ENGLISH NATIONAL CHARACTER AS EXPRESSED IN THEIR CONSTITUTIONAL HISTORY

Macaulay states in one of his noble passages that with the grant of the Great Charter by King John commences the history of the English nation.[4] It is the common posture of contemporary iconoclasts to belittle the significance of that event and to minimize its effects. Millions of our fellow citizens had the rare privilege of seeing an original copy of that momentous document in the British Pavilion at New York's World's Fair in 1939-40. Many of them could appreciate the sentiments of Green in the following passage: "It is impossible to gaze without reverence on the earliest monument of English freedom which we can see with our own eyes and touch with our own hands, the great Charter to which from age to age men have looked back as the groundwork of English liberty." [5]

Green concedes that in itself the Charter was no novelty, nor did it contain any new constitutional principles. What was new about it was the fact that in substance it was a treaty between the king and the whole people who were now treated without regard to their Norman or native English origin. Those who profess as a recent discovery of astute scholarship that the Charter confirmed and extended baronial power were forestalled by no less an authority than David Hume who wrote as far back as 1776: "These were the principal articles calculated for the interest of the barons; and had the charter contained nothing further, national happiness and liberty had been very little promoted by it, as it would only have tended to increase the power and independence of an order of men already too powerful, and whose yoke might have become more heavy on the people than even that of an absolute monarch. But the barons who alone drew and imposed on the prince this memorable charter, were necessitated to insert in it other clauses of a more extensive and more beneficent nature." [6]

Then follows an enumeration of the provisions which we have discussed, in part, in an earlier work.[7] To the Great Charter can be traced the origin of Parliament, and the control of the purse-string which was the lever of the Commons for the ultimate destruction of aristocratic prerogatives. Today the king reigns, the Parliament governs, the aristocracy executes, but the Commons in the final analysis dictates.

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[4] History of England—Macaulay, Vol. I, p. 17.

[5] History of the English People—Green, Vol. I, p. 231.

[6] History of England—Hume, Vol. I, pp. 444-5.

England's next great contribution to constitutional law was what Macaulay hails as the second Great Charter of the liberties of England, called the Petition of Right. Charles I "by ratifying that law bound himself never again to raise money without the consent of the Houses, never again to imprison any person, except in due course of law, and never again to subject his people to the jurisdiction of courts-martial. The day on which the royal sanction, was, after many delays, solemnly given to this great act, was a day of joy and hope. The Commons, who crowded the bar of the House of Lords, broke forth into loud acclamations as soon as the clerk had pronounced the ancient form of words by which our princes have, during many ages, signified assent to the wishes of the Estates of the realm." [8]

It is true that Charles I as so many kings before him soon violated his pledge. But the principle previously established had been again solemnly confirmed. The fortunes of a progressive people often ebb, but sooner or later the former crest is attained and over-topped.

EFFECT OF THE ENGLISH SOCIAL REVOLUTION UPON AMERICAN COLONIAL DEVELOPMENT

It was around these times that the great colonies of Virginia and Massachusetts were being established, and certainly its people were affected by the new spirit which this constitutional crisis in England showed was rapidly gaining strength in the land. Shortly after Parliament had wrung this great concession and had voted supplies it was dissolved by the king. For the following eleven years no Parliament was convoked. When finally Parliament did meet in 1640 it forgot to adjourn until it had carried through the Great Rebellion whose culminating act was the beheading of the king. One has but to recall that the French pale edition of a States-General did not meet from 1614 to 1788 to realize the difference in the attitude of the English people, who objected so vehemently to absolute kingly rule for a mere eleven years.

[7] See Historical Field Theory—Zucker, Ch. 1, 2, and 3.

[8] History of England—Macaulay, Vol. I, pp. 93-4.

By the term English people, we do not mean what that word implies today. It required two hundred and fifty years more, far into the nineteenth century for the English masses to be enfranchised. But their day in history had not come. To this very day it is a slumbering giant unconscious of the great power which resides within them, because uncertain as to the road which is to be followed.

In the seventeenth century the people who counted in the formal making of history were the lower squirearchy, the well-to-do merchants, the holders of real estate, and the recipients of incomes far beyond that obtained by the most highly skilled artisans. Besides that, representation in the Commons was based upon ancient geographical divisions, and often a little rural community consisting only of the land-owner's retainers was entitled to equal representation with a similar community which had since developed into a thriving town of fifty thousand inhabitants. However, there exists no mysterious charm in mere numbers. The really virile class of its day was the bourgeoisie, the burgher class of merchants, entrepreneurs and business men who were bound together by the closest possible interest for them, the safeguarding of their fortunes which at that time meant also the safeguarding of the interests of expanding industrial and commercial England.

SOCIAL CONSEQUENCES OF ENGLISH LAND ENCLOSURES

Hildreth tells us, correctly enough, that in Queen Elizabeth's time the first compulsory English poor law had been enacted. "The pressure of population was already felt and there was likely to be no lack of colonists." [9] In an earlier work we stressed the importance of enclosures in English history, and its effects upon our subsequent development. The kindly Bishop Burnet writing almost three hundred years ago described it as "a sort of contagion of rage run over all the commons of England. The nobility and gentry, finding more advantage by the trade of wool than by their corn, did generally enclose their grounds, and turn them to pasture; and so kept but few servants, and took large portions of their estates into their own hands." [10]

It is astonishing, perhaps, that an England of five million population should be too well-stocked in view of its present forty million. In this authentic fact is proof of the inadequacy of the orthodox mathematical formulation of the laws of population as propounded by Malthus and his successors. Changing social conditions made it convenient for the clearing of vast acreage of human beings for the pasturing of sheep. This was the beginning of the wool industry, where England served as the producer of raw material for the Netherlands, and finally ended in establishing the weaving industry within its own borders. The resulting industrialization of the country was once more conducive to the support of a large population. But that was a process of centuries.

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[9] History of the United States—Hildreth, Vol. I, p. 79.

[10] History of the Reformation—Burnet, p. 226.

Land was no longer being used in accordance with the feudal principle that the more mouths it fed the more arms could the baron command. Land was becoming capital to its owners, a means of production of a definite commodity, where the elements which enter into the formulation of costs must be reflected in the selling price, regulated by the laws of competition.

Social progress when operating by blind social laws must go through its initial phases of brutality, but in the end England's ruthless uprooting of her supernumerary rural population resulted in the development of industry and large towns. So do present day apologists console the technologically unemployed that eventually everything serves a beneficent purpose in the larger designs of Providence.

Meanwhile, the dispossessed, as in the time of Elizabeth, or the unemployed, as today, had to be fed, since really there was no way of slaughtering the supernumeraries wholesale. Thus three hundred and fifty years ago England introduced the principle of social responsibility for involuntary poverty through the inauguration of Poor Laws and parish relief. Today we call it home relief. Nevertheless a great social transformation was being introduced; and the breaking up of feudalism was the essential prerequisite for the turning of land into capital, and the erstwhile tenants and serfs into proletarians. From these ranks were recruited the human hands for domestic manufacture and superfluous mouths for export to the colonies.

METAMORPHOSIS OF ERSTWHILE ENGLISH SERFS INTO COLONIAL LANDOWNERS

Campbell's work on the Puritans contains some biting, but true, passages on the land question in England; or for that matter, on the whole social structure of Great Britain. Englishmen today are being mobilized, and with them public opinion in America, on the basis of a struggle between the democracies against the autocracies.

It is true that Britons possess the semblance of political power, but they are in equal truth strangers to their native land. Fifty years ago Campbell pointed out that in England about half the land was owned by one hundred and fifty persons; in Scotland by some seventy-five persons, while thirty-five owned half of Ireland. Conditions have not changed substantially since for England and Scotland. "The large proprietors," wrote Campbell, "representing the aristocratic element of society, have desired that the mode of acquiring land should be neither easy nor cheap. Land is for the aristocrats, and not for the common people. The result is that the great class of yeomen, the men who in bygone centuries gave England her greatness, has almost entirely disappeared." [11]

Actually, they did not all disappear with the clearing of the lands during the transformation of feudal rights in the land into private estates. Yeomen, too, had rights in the land as ancient and as hallowed as any of the aristocracy. Their forefathers had fought and died in the feudal service for the protection of those rights. When the enclosures began these descendants were pushed off the land by force, to re-appear once more—those who had not perished meanwhile—in the towns, in petty industry, as sailors in England's growing fleet, and let it not be forgotten, as soldiers in Cromwell's army that did so much to destroy the political power of the aristocracy, though their moral power still remains.

One of the most disgusting aspects of English life to American eyes, in an otherwise glorious land, is the ubiquitous evidences of class divisions based primarily on blood and inheritance. At worst, the average American would prefer at any time during the day or night the blustering American parvenu in the Waldorf-Astoria, whom he immediately recognizes under his finery as one of his own, to the polished mannerisms of England's alleged higher society who make one conscious of a social gulf more impressive than distances of the astronomer's reckoning.

England's dispossessed peasantry was the backbone of early American colonial immigration. "Colonists who went to the New World were guaranteed all the privileges of Englishmen," wrote Bolton and Marshall.[12] Privileges are not conferred; they are wrested. They are retained only by those who, having won them, succeed in holding them long enough until they become vested rights. For the rest, it is a question of power. Privileges can be lost if the will or the capacity for defending them is lacking. We will presently observe a vast difference between the type of colonist centered about Virginia, and that about Massachusetts, respectively. But were they aristocrat or plebeian, one thing they had in common—their rights as Englishmen.

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[11] The Puritans in Holland, England and America—Campbell, Vol. I, p. 27.

[12] The Colonization of North America—Bolton and Marshall, p. 116.

Between the conditions as they existed in colonial America and in their native England there was this one vast difference; social stratification in England was rather fixed by tradition and the economic status, while in America traditions based on mere social inequalities might disappear in a generation. Economically, colonial society was incomparably more fluid in its social re-adjustments. But one thing they all claimed here was their rights as Englishmen.

Now rights are very subtle things. They elude our physical senses, and reside in that abstract region we call the mind. Yet at a critical moment, man must be ready to sacrifice one or more of his senses, including limb and life itself, in defense of those abstract but very real things. History gives abundant proof as to the consequences of man's failure to respond when these abstract rights are in jeopardy.

Englishmen do not react to infringement upon their rights with the trigger-like rapidity of the old-time Westerner in the drama. Nor is it at all necessary, nor even desirable that he should do so. There comes a time in the history of a nation when a small group of scheming, determined men may seize the reins of power, even as Cromwell did, while fighting in a far greater cause. Englishmen then bided their time, not because of some predetermined plan, but because there was nothing else that could well be done at that particular juncture.

Submission is not synonymous with acquiescence. The dictator Oliver died to be succeeded by his son Richard. The weakling inherited from the giant. The English people brushed him aside quickly and without ceremony. To do this they had to accept Charles II. When this ruler's lassitude was replaced by the active distemper of his brother James II, a few years sufficed for the English people to get rid of him in the Revolution of 1688.[13]

THE ENGLISH REVOLUTION OF 1688 AND THE BILL OF RIGHTS

This was more than a political revolution. It was indeed a vast social revolution peacefully accomplished. No one then realized its full significance: The Palace had yielded to the Exchange.

"The Revolution," wrote Macaulay, "completely altered the relations between the court and the higher classes of society. It was by degrees discovered that the King, in his individual capacity, had

[13] History of England—Macaulay, Vol. II, p. 420.

very little to give; that coronets and garters, bishoprics and embassies, lordships of the Treasury and tellerships of the Exchequer, nay, even charges in the royal stud and bedchamber, were really bestowed, not by him, but by his advisers. Every ambitious and covetous man perceived that he would consult his own interest far better by acquiring the dominion of a Cornish borough, and by rendering good service to the ministry during a critical session, than by becoming the companion, or even the minion, of his prince." [14]

In rapid order as a consequence of this Revolution there came a group of political and social reforms whose full effects have not yet been expended two hundred and fifty years after they were achieved.

It is in the nature of rights to be stated in abstract terms for a vague, generalized group of people. In their formulation the particular individuals concerned play an effective role. They become in time the heritage of a people for a people. The concept of what constitutes 'the people' changes with the age, but the rights remain as their appanage if and when they are determined to assert and protect them.

Let us consider the Bill of Rights. It originated as a Declaration of Rights during the Revolution of 1688. The document was considered so important that it was recast into a formal bill in a regularly constituted session of Parliament in order to emphasize in a most solemn fashion the agreement between Parliament acting for the people, and the king upon whom by its will the crown had been conferred as an act of legislation.[15]

In this fifth decade of the twentieth century we are no longer under illusions concerning what and whom Parliament then meant when it spoke for the English people. The masses of Englishmen had not yet become a conscious factor in their country's history. Nevertheless, the contemptible rabble of the seventeenth century has been metamorphosed into the people of today. The rights originally intended for the protection of the well-born and the well-to-do now enfold beneath its protecting mantle the formerly despised proletariat.

This same proletarian of that age if he emigrated to America became an owner of property if he willed, but under all circumstances the possessor of general rights which were considered to be the birthright of every Englishman. The Bill of Rights did not specify that by 'the people' they meant only the people with property interests. True, they were the only people then who really counted. The rest constituted the background of the stage business then in the hands of gentlemen who knew perfectly what they were about.

[14] History of England—Macaulay, Vol. I, p. 399.

[15] Ibid., Vol. V, p. 175.

Therefore the Bill speaks in the following generalized terms not for themselves or for their time, but for their successors to all eternity. "1. That the pretended power of suspending laws, or the execution of laws, by regal authority, without consent of Parliament, is illegal. 4. That levying money for or to the use of the Crown by pretense and prerogative, without grant of Parliament, for longer time or in other manner than the same is or shall be granted, is illegal. 8. That election of members of Parliament, ought to be free. 9. That the freedom of speech, and debates or proceedings in Parliament, ought not to be impeached or questioned in any court or place out of Parliament. 10. That excessive bail ought not to be required, nor excessive fines imposed; nor cruel and unusual punishments inflicted." [16]

Each of these propositions are stated as rights which inhere to the generality of men and the Parliament which represents them. Most Englishmen who crossed the ocean to settle in America had never had occasion to come within the scope of their protection. That did not prevent them, however, when the necessity arose, from asserting these privileges as if they had been granted specifically to them and theirs. Nor could any disprove that contention without sufficient force at his back. Every Englishman figuratively held in his hand the Bill of Rights. They were trampled upon in the New World probably as often as they were appealed to, but in each instance in diminishing degree, until finally they were enacted as the fundamental embodiment of our institutions. Even that was not without a struggle; nor is the struggle yet ended.

THE RIGHTS OF ENGLISHMEN ARE ASSERTED BY THE COLONISTS

Among the established rights of Englishmen the Habeas Corpus Act ranks with the Magna Charta and the Bill of Rights. One has but to look about the contemporary scene, to see where liberty is struck down at its very root, which is the sanctity of the person against arbitrary seizure and imprisonment.

What is the most effective weapon of Hitler and Stalin by which they maintain themselves in power? The concentration camp and the purge. Rights are of no consequence unless they apply to the essence of political power; and that is, the opportunity to speak for and effect a change of those in control of the state. Hearings and trials mean nothing if the manner of their holding is not rigidly enforced by a popular opinion capable of translating its thoughts into deeds.

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[16] Harper's Encyclopedia of American History—Vol. I, p. 345.

The general rights of Englishmen to trial by jury were in effect for hundreds of years. But no right is of real significance if it can be defied, suspended or circumvented. The right of habeas corpus is specific and peremptory. At a place definite and time certain the accused must be presented and the charges against him stated. There is no opportunity for equivocation or evasion. "It is indeed not wonderful that this great law should be highly prized by all Englishmen without distinction of party," wrote Macaulay, "for it is a law which, not by circuitous, but by direct operation, adds to the security and happiness of every inhabitant of the realm." [17]

Although there were times when its operation was temporarily suspended, yet the unusualness of the circumstances which prompted that measure, without regard to the justifiability of the step, indicate how highly that right was prized. Up to the very eve of the French Revolution a century later, the Bastille was crowded by those who had incurred somebody's ill will, and who possessed sufficient influence to obtain a letter de cachet. Its counter-part, the Tower of London, had long since ceased to function in England.

Imbedded deeply in the constitutional practices of England as they evolved in the seventeenth century was the subserviency of the military to the civil authority, while that in turn was accountable to Parliament. Feudalism was characterized by decentralization of power in practice, while theoretically all held subject to the crown. Under the rule of the Plantagenets, Tudors and Stuarts absolutism had developed to the point where all central authority was bound up with the personal will of the monarch, while weak or subservient Parliaments voted supplies during an entire reign.

Charles I had devised a pretext for raising money without the consent of Parliament in the name of national defense, which meant a professional army for the defense of the king against the nation. The entire course of English constitutional development during the critical period when the American colonies were attracting immigrants in large numbers, was directed with implacable resolve to substitute for the will of the king, as supported by the aristocracy, the will of Parliament as supported by the rising middle class and small gentry. The masses of the towns sided with Parliament.

Eventually the king's ministers became the Ministry; his personal, hand-picked advisers dependent wholly on his will, were replaced by a Ministry over whose selection he exercised no choice, and who were responsible solely to Parliament. It is astonishing how great social changes that required centuries in the making, and to effect which rivers of blood must be spilled, can be summed up in a single sentence which sounds so platitudinous! Later we will consider why and how these changes were brought about; for the present we are concerned only with establishing the result.

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[17] History of England—Macaulay, Vol. II, pp. 275-6.

"The government of the state," wrote May in summation, "was conducted, throughout all its departments, by ministers responsible to Parliament, for every act of their administration—without whose advice no act could be done—who could be dismissed for incapacity or failure, and impeached for political crimes; and who resigned when their advice was disregarded by the Crown, or their policy disapproved by Parliament. . . . Instead of dangerous conflicts between the Crown and the Parliament, there succeeded struggles between rival parties for parliamentary majorities; and the successful party wielded all the power of state." [18]

In the very beginning of this process of responsible government the king himself was the leader of a party faction. It was to the Whigs, the representatives of rising capitalism, that William III owed his throne,[19] and they in turn exacted from him his full measure of support. Macaulay's great admiration for the hero of his history makes him ascribe too much to King William's sobriety and keenness of judgment. His foreign policy, which the king controlled to a large extent, coincided exactly with the wishes of the English merchant class, which was to humble France.

But neither Macaulay nor any one else would suggest that William could have gone back to the old policy of personal government. A revolution had placed him in power, and another revolution would as readily have displaced him should he have proven recalcitrant to the parliamentary restrictions imposed on his power. The day of autocratic government had definitely passed for England. George the Third attempted later to revive it; but even he did not venture a direct assertion, relying chiefly on the art of personal manipulation. Commercial capitalism had gone too far on the road to power to be openly defied even by a Hanover prince.

ESTABLISHMENT OF THE FREEDOM OF THE PRESS

Another great achievement of this fateful seventeenth century, both for England and for budding America, was the establishment unchallenged of the freedom of the press. The Catholic Church during the hey-day of its power in England had exercised a strict censorship over printing. As a consequence of the Reformation, the crown fell heir to many of the Church's prerogatives, among them the right of censorship. Printing was allowed only in London, Oxford and Cambridge, and there closely safeguarded by supervision, patents and monopolies.

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[18] Constitutional History of England—May, Vol. I, pp. 19-20.

[19] History of England—Macaulay, Vol. IV, pp. 150-1.

The press as it first appeared was a furtive thing if it was honest, and a dull thing if it was official. Pamphlets and news-letters were passed around with great secretiveness. The state was as concerned to curb political expression as the Church was to confine religious discussion. So sorely fettered were men's minds in those days, that even during the Commonwealth the severest penalties were imposed, not for the act of publication, but for publishing matter contrary to the ideas of the dominant party.

With the Restoration the old censorship was clapped on for all opinion. The old Licensing Act under Charles II provided that both authors and printers of works without the official imprimatur were liable to be hung, mutilated, fined or imprisoned according to the decision of the court. These punishments actually were carried out.[20] During the reign of James II the Licensing Act was re-enacted.

But on a great day in 1695, which then was unnoticed, Parliament voted to remove all direct censorship of the press. With that exasperating phlegm of which the English are such masters, this great gift to human progress came not only indirectly but actually in negative fashion.

It appears that early in the session of Parliament that year a committee had been selected to consider the advisability of re-enacting legislation which was about to expire due to a time limitation. It was the judgment of this committee of Parliament that the censorship act entitled "An Act for preventing Abuses in printing seditious, treasonable, and unlicensed Pamphlets, and for regulating of Printing and Printing Presses," be continued. Upon a simple voice vote put by the Speaker, he announced that the No's had it, and without further ado, the great gift of a free press was bestowed upon the British people by the mere failure to re-enact the restraining legislation.[21]

It required many years for the significance of this casual event to unfold itself for the various categories of the population—for judges, political leaders, legislators and men of affairs. The press at first, and for a long time afterward, was too often a weapon of scurrilous partisanship; but the principle had been established, and time unfolded the enormous possibilities of the press as both a means of popular enlightenment as well as for its debasement.

[20] Constitutional History of England—May, Vol. II, p. 105.

[21] History of England—Macaulay, Vol. VII, pp. 188-9.

INFLUENCE OF ENGLISH CONSTITUTIONAL DEVELOPMENT UPON THE AMERICAN COLONIES

Recognition of a general proposition should be the beginning of an analysis rather than the pretext for vain analogies. No proposition is more common among our historians than the profound influence exerted by English institutions upon the development of America. But few indeed have undertaken the task of showing how and why those institutions were evolved in England, and the reasons for their subsequent modification in the American colonies. The reason for this deficiency of historical treatment has been adverted to often in the preceding pages; Gipson's admission of his inability to discover some authoritative criterion for judgment is but one of a long line of similar confessions.

In our presentation of the outstanding facts in the constitutional history of England during the seventeenth century there is nothing which is not known to the general student. It has been our aim to work with the material already established not only as a concession to scholarship, but because, in full truth, no other material is necessary for the establishment of the Historical Field Theory; confident that any new material garnered by the indefatigable labor of candidates for academic degrees, as well as the enormous mass of material now in existence but unknown to the writer, must support the theoretical foundations upon which it is grounded.

In stating the highlights of English constitutional achievement of that period we must go a step further in the analysis of the composition of the English social structure. The character of the state organization is an obvious fact; what is not so obvious is how it came to be so determined. We must show how the economy and the ideological superstructure contributed to that result, and how in turn their mutual inter-action has modified the whole. The failure, or the inability of classical historians to perform this necessary task has resulted in the chaos of opinion which bedevils this field. It is important to emphasize that the only reason why we follow the process of analyzing first the state, then the economy and finally the ideology of the specific social structure of a time, is purely a matter of convenience and wholly an arbitrary arrangement on our part; others are free to select their own "frame of reference," but all will end finally with the same results. Our method, nonetheless, has its practical advantages.

No matter how radically one might disagree on everything else, all will agree that at a given time every civilized community has been blessed, or cursed, with some form of state organization. The state is distinctive of Civilization, no matter whether it be a city-state, or a duchy, or a province, or a kingdom. The existence of the state differentiates civilization from barbarism. Gibbon gives a graphic account of the extent of Attila's empire from Germany to Scythia and describes vividly the nature of his court; but he concedes that one of the essential elements of civilization was lacking, namely the organized economy which makes for a civilized mode of existence.[22] They despised agriculture; [23] there were no cities in the entire empire, while the capital consisted of tents, with Attila's chief tent.[24] Land had not become private property, and classes based on relations of production had not been developed.

Traditionally historians have dealt with the lives and fortunes of rulers. This is one of the facts with which the Historical Field Theory must deal, and since a beginning in our analysis had to be made somewhere, we started out with the state, not because it is the most important element of the social structure, but only because that method was the most convenient for our purposes. The results of the analysis would have to be the same no matter with what phase of the discussion we began.

It is the sheerest form of intellectual and moral cowardice, quite common among our editors, politicians and statesmen to save themselves the burden of independent investigation by ascribing to the forefathers inconceivable wisdom in order to spare themselves the trouble of developing their own. Each generation must tackle the problems of its times. The social statesman must develop the hardihood to forego the sweets of present victory for the doubtful recognition of posterity. At best there will be cold comfort in that. Instead of paying such lush word tribute to the Founding Fathers, let us recognize that we, to, are the founding fathers of the America that is to be, and the profoundest tribute that we can pay to them is to carry on in the same adventurous spirit the unfinished work which each generation must necessarily pass on to its successor.

THE ROLE OF FORCE IN SOCIAL EVOLUTION

English society had been in a state of flux for over three hundred years before it finally settled itself in the long forward pull which began with the seventeenth century and ended during our contemporary times. This does not indicate that England is finally done for; it only means that the long pull along the main line has come to an end, and that society is confronted with the possibility of stagnation, regression or progress, depending upon the operation of the social forces involved. Since this brings us to the present world situation in which American interests are inextricably inter-woven, we will defer its consideration to the concluding part of this work. For the present we are concerned with the factors which produced the England of the seventeenth century because of its necessary relationship with the entire problem of our colonial history, and its effect upon the development of American nationality.

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[22] The Decline and Fall of the Roman Empire—Gibbon, Vol. I, p. 1209.

[23] Ibid., Vol. I, p. 1217.

[24] Ibid., Vol. I, p. 1218.

This impressive political revolution of the seventeenth century registered the concluding phases of the epoch of feudalism and the beginning of the epoch of modern capitalism. The transformation itself was gradual, and often imperceptible, being consummated over the course of three centuries. The exponents of the Soviet school of social philosophy dote upon the element of "force as the midwife of progress" in the expressive terminology of Marx.[25] They lose sight of the fact that to him force was only incidental, and by no means the essential element of progress. The decisive factor was the nature of the social transformation evolved, whether with force, or the absence of it, all of which was incidental to the main process itself.

Engels admitted that social revolution and its peaceful effectuation are by no means incompatible. Both he and Marx recognized the distinction between the English method of gradualism and the French or continental method of accomplishing the same result aimed after in one fell swoop. There are definite historical conditions which determine whether one method or the other will be resorted to, and all generalizations concerning the alleged differences between Anglo-Saxon and Latin or Slavic temperament are belied by the facts. When it comes to downright brutality none of the human family can point the accusing finger at its neighbor. Surely the English have good cause to deny indignantly any aspersion upon their willingness to shed blood with as much abandon as the best or worst of them.

B. The Development of English Social Institutions from Feudalism

ELEMENTS OF THE FEUDAL SYSTEM

Feudalism was established in England both for political and economic purposes. The great masses of the people after the Norman conquest were made villeins on the soil, as an attachment of the demesne, whose purpose in existence was to render service both at arms and in labor to its lord. All life, outside of the few towns, centered around the manor as the seat of the land lord, temporal and spiritual. In the case of the latter, it was no anomaly during the Middle Ages for a proud churchman to buckle on sword and lead his retainers in the field.

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[25] Capital—Marx, Vol. I, p. 824.

But more ordinarily those liegemen tilled the soil and rendered traditional free service on the land cultivated exclusively for the benefit of the lord. Around the manor was the village where lived the retainers and the serfs, and surrounding all was the vill or the land of the village owned by the lord.

The method of cultivation was strip farming with one man tending scattered plots throughout the demesne. This method prevailed also in Slavonic communities organized as the mir, and it was the forcible destruction of this wasteful and uneconomical method of cultivation by collectivization in recent times which brought down upon Stalin the not altogether virtuous indignation of the capitalist world. England had accomplished that centuries ago, and by methods no less brutal in essence, to achieve the same desirable social result. One half or more of the village land belonged to the exclusive use of the lord, and upon this the serfs were required to contribute their labor gratis in accordance with established usages.

SOCIAL POSITION OF THE SERFS

Not all were serfs. Some were free tenants, having reached that status by manumission, which was handed down to their successors. Others were the special agents of the lord, such as bailiffs, or overseers, or particular servants or men-at-arms. But the great mass of people in the fourteenth century were serfs in the land.

Legally there was no right of the serf which the lord was bound to respect. "The distinction between free tenants and villains," writes Cheyney, "using this word, as is customary, to include all those who were legally in servitude, was not a very clearly marked one. Their economic position was often so similar that the classes shaded into one another. But the villain was, as has been seen, usually burdened with much heavier services. He was subject to special payments, such as 'mechet,' a payment made to the lord of the manor when a woman of villain rank was married, and 'leyr,' a payment made by women for breach of chastity. He could be 'tallaged' or taxed to any extent the lord saw fit. He was bound to the soil. He could not leave the manor to seek for better conditions of life elsewhere. If he ran away, his lord could obtain an order from a court and have him brought back. When permission was obtained to remain away from the manor as an inhabitant of another vill or of a town, it was only upon payment of a periodic sum, frequently known as 'chevage' or head money. He could not sell his cattle without paying the lord for permission. He had practically no standing in the courts of the country. In any suit against his lord the proof of his condition of villainage was sufficient to put him out of court, and his only recourse was the local court of the manor, where the lord himself or his representative presided. Finally, in the eyes of the law, the villain had no property of his own, all his possessions being, in the last resort, the property of his lord." [26]

The vill and the parish were generally synonymous, and the parish priest was always on hand to reinforce with spiritual adjuration any defect which might otherwise develop between the seams of this air-tight system built for eternity. The manor estate was a self-contained economy reproduced with the same vegetative regularity as the laws of nature.

Or so it appeared. The lord of the manor found profit in many ways. He received rent not only in free or forced labor, but also rent in money payment. This came from his free tenants. There were cash profits to be realized by the sale of surplus products in his demesne lands. Fines, fees, collections and amercements were collected by his steward or other agents. The mill was a monopoly and fees were paid for its use.

Of the uses of money there is no end; neither is the extent of human pomp and vanity. There were the towns. In the middle of the thirteenth century there were about two hundred towns in England from 1,000 to 25,000 for London, with the average between 1,500 and 4,000.[27] These towns were given over to trade, handicrafts and commerce.

RISE OF THE GUILDS AND OF PARLIAMENT

Property owners were usually members of their respective guilds and were possessed of full citizenship or burgess rights. Charters were obtained from the King or the feudal lord to whom the land appertained upon payment of money duties usually in a lump sum, collected annually from among the citizens.

In 1265 a third Estate was added to the Parliament consisting heretofore of two only, the Lords Spiritual and the Lords Temporal.

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[26] Industrial and Social History of England—Cheyney, pp. 39-40.

[27] Ibid., p. 50.

Two knights were to be selected from each of their shires, and two citizens from each of a list of towns. At first all three estates met together, but in the following century, the representatives of the shires and towns met separately to form the basis of the House of Commons.

In the towns differentiation produced guilds of craftsmen as distinct from merchant guilds. A variegated life was being produced. Rich stuffs, spices and luxuries of living were being introduced which humbled the proud lord upon the rare occasions when he came into town. The more ambitious of them were not to be left in the shade by mere merchants. Pride and vanity did the rest. Debts accumulated, rights were sold and feudal relations dependent upon service or payment of rent in kind were transformed as far as possible into money payments.

Money does not smell from what source it comes, runs the adage. The old personal relations of manor lord and manor serf was being replaced by absentee landlordship dealing through a representative with a money-paying tenant. Meanwhile the establishment of a strong, centralized government destroyed the necessity of each lord having to maintain a private army for private wars. The transformation of a personal relationship into a money relationship was the beginning of the break-up of the feudal mode of life.

BREAK-DOWN OF FEUDALISM

Historians like to describe the Black Death which ravaged England from 1348 to 1350, as one of the mysterious blessings of Providence who takes hard with one hand, but gives generously with the other. It is estimated that one half of England's population of four million were swept away by the visitation of the plague.[28] The ensuing scarcity of labor, according to the hidden blessing theory of history, resulted in laborers demanding better wages and conditions, all in accordance with the well known law of supply and demand some four hundred years before Adam Smith was to base the economics of capitalism upon that indispensable cornerstone.

Had there been no Black Plague, who knows? Feudalism might have continued on to this day, according to the romanticists. Unfortunately for this amiable theory of providential history, this disease was pandemic, carrying off over one-quarter of Europe's total population.[29] Yet feudalism was not impaired on the continent. The fact of scarcity of labor does not mechanically raise its price in accordance with the developed economics of a much later epoch.

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[28] History of the English People—Green, Vol. I, p. 404.

[29] History of Germany—Lewis, p. 344.

To these historians who generalize on abstract principles, it can be pointed out that in the ravages to Germany resulting from the religious wars of the Reformation, almost half of its population was wiped out in the areas of conflict. Did that result in the remaining peasants advantaging their opportunity and bettering their lot? On the contrary, it was the German barons who rose arms in hand and reduced the peasantry to a condition of slavery.[30]

As a consequence of the decimation of laborers, Parliament enacted the Statute of Laborers requiring them to work for the same pay as heretofore received, with severe penalties attached for infraction. Obviously this did not apply to the tenure relations on the land. In a country ninety percent rural only a comparatively few wage-laborers were affected. This statute was re-enacted in substance, thirteen times during the course of the following hundred years.

Of far greater significance was the Peasants' Revolt of 1381. It was a spontaneous upsurge of masses who long must have thought upon the futility of laboring free for those who performed no useful part in the process. Perhaps no clearer expression of the mutability of human institutions, apropos this very point, can be found than in the following pregnant words of David Hume: "When the great feudal baronies were first erected, the lord lived in opulence in the midst of his vassals; he was in a situation to protect and cherish and defend them; the quality of patron naturally united itself to that of superior; and these two principles of authority mutually supported each other. But when, by the various divisions and mixtures of property, a man's superior came to live at a distance from him, and could no longer give him shelter or countenance, the tie gradually became more fictitious than real; new connections from the vicinity were formed; protection was sought by voluntary services and attachment." [31]

The peasant's revolt was put down after initial successes, and the resulting bloody reaction proved how deep had been the dread of the nobility. But they were in no spirit to risk another uprising. The process of transforming feudal tenures into cash equivalents from services and payment in kind went on at an accelerated pace. A hundred and fifty years after this outbreak villeinage had practically disappeared.[32]

The Wars of the Roses between 1422-1461 completed the ruin of the feudal lords and hastened the end of the system upon which it was based.[33] Behind the backs of the aristocratic contestants, and unnoticed by the peasantry, a new social power was rising, destined to supplant the nobility, even the king himself, as the center of political power. But first the authority of the king over the nobility had to be established.

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[30] Ibid., pp. 447-8.

[31] History of England—Hume, Vol. II, p. 191.

[32] History of the English People—Green, Vol. I, p. 457.

In that long-contested and bitter struggle the towns supported royalty. Later, the power of the church had to be circumscribed. That was the function of the crown with the assistance of the towns. Finally, the king had to be humbled, but by this time the towns were supported by the reformed sects, while the aristocracy and the clergy of the official church opposed them in mortal enmity.

This was not the pattern of some pre-arranged plan. It was the necessary consequence of a new and effective social force operating in a medium where to be repressed meant to stifle and stagnate. Life offers no apology for demanding an opportunity for self-existence. When the issue is resolved in this clear-cut fashion then no price is too high to pay for victory.

History up to now has been the struggle for the right to live in accordance with the requirements of a given situation. It has been a conscious struggle for unconscious ends, for few indeed have had the vision to see beyond the smoke of the particular battle.

CREATING THE NEW SOCIAL ORDER

England's role during the Reformation proves the utter inadequacy of theories of history which stress overly one phase of the process by minimizing all the other social forces involved. The pseudo-Marxist who follows his master chiefly by aping his amiable defect for trenchant phraseology, ascribes the ideological revolution of England during the sixteenth century as being due to the requirements of developing capitalism. It is an illustration of putting the cart before the horse. One might with far greater justice say that the Reformation in England gave capitalism an opportunity to expand, where otherwise it would have been hampered by the shackles of stagnant Catholicism. For our purposes, it is necessary for the adequate understanding of the Puritan influence in the making of colonial America that we pursue with some diligence the factors involved in England's ideological revolution.

The Reformation was the summary of the operation of diverse social forces into an intricate historical pattern. We have already discussed its ultimate result in the establishment of a limited monarchy with supreme power vested in Parliament at the beginning of the eighteenth century. Notice has been had, briefly, of the fact that popular control of Parliament as currently understood, was to be attained far off in the nineteenth century, with the final curbing of the House of Lords reserved for the twentieth century. We saw also the crumbling of the feudal system in a country ninety percent agricultural, with the gradual increase of industry and commerce, centered naturally in the towns. But development might have stopped right there in England, as it was in France and Spain where the feudal nobility was being replaced by a landed aristocracy, with full political power in the central authority exercised by an absolute monarch. The course of English history was diverted from that quagmire by the Reformation.

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[33] History of the World—Ridpath, Vol. XIII, p. 141.

THE IDEOLOGICAL AND POLITICAL REQUIREMENTS OF THE ENGLISH MIDDLE CLASS

With the mutual extinction of large sections of the old-line nobility during the civil strife of the War of the Roses, the merchant class and the smaller gentry rose in importance as that of the nobles fell.[34] But this does not indicate by any means that they stepped into the role formerly occupied by the nobility in the state organization. On the contrary, there ensued for a period of three centuries an almost unbroken absolutism centered in the Crown. Parliament had become the pliant tool of the king. Whatever early prospects of growing importance it might have experienced during the formative period of that institution, was effectually squelched by the despotism of the Tudor kings.

There was no need to abolish Parliament. It was so much easier to control it by manipulating the manner of its election. "Great nobles, neighboring landowners, the Crown itself," writes Green, "seized on the boroughs as their prey, and dictated the choice of their representatives. Corruption did whatever force failed to do, and from the Wars of the Roses to the days of Pitt the voice of the people had to be looked for not in the members for the towns but in the knights for the counties." [35] Green ought to have pointed out that 'the people' in the modern sense of the term did not yet exist on the historical scene; the masses were only subjects, with neither voice nor vote.

Voting in the boroughs was confined to a list of retainers who dutifully registered the will of the landowner. The trade companies in towns had become an exclusive oligarchy with the burgess-body gradually restricted from the free gathering of citizens as in the thirteenth and fourteenth centuries to a small group of 'select men' consisting of the wealthier class. The custom developed of seats in Parliament being presented by great landlords to members of their choosing, while their selection was regularly approved by the burgesses whom the lord called together. The Crown on its side exercised the right of increasing the number of seats in the Commons by conferring the privilege of representation to some insignificant borough.

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[34] History of the English People—Green, Vol. II, p. 54.

[35] History of the English People—Green, Vol. II, p. 25.

Enclosures had resulted in the depopulating of many of the districts entitled to members as an ancient privilege. But this privilege was considered as an appanage of the soil, and many an ambitious politician bought his way into Parliament by the simple expedient of purchasing a tract of land with a handful of citizens upon it. Lord Palmerston was not exaggerating when in the nineteenth century he described the House of Commons as a house of landlords.[36]

Popular rule as we now understand it did not come into existence until after the historical conditions had raised the masses out of the background and placed them on the center of the stage. This did not happen anywhere in the world until the rise of American Jacksonian democracy in the 30's of the nineteenth century. When muckrakers point to the disparity between the glorified phraseology of the Declaration of Independence and the preamble of the American Constitution with the political disfranchisement of large masses of the people at the time when they were written, that exhibits not the incongruity of practice and profession as they would please to have it, but rather their own inability to grasp the evolutionary course of constitutional development.[37]

STRUGGLE BETWEEN CHURCH AND STATE

Cardinal Wolsey had succeeded in establishing the supremacy of the Crown in matters of state; but his training, his natural inclination, his role as a prince in the Catholic hierarchy had prevented him from completing the cycle of the king's power. There still remained that fatal dualism of Church and State which militated against the formation of a closely-knit national autonomy.

As a citizen, every Englishman owed allegiance to the Crown; as a Christian, this same Englishman owed allegiance to the Pope. The ultimate struggle for supremacy was carried on under various pretexts and with many shibboleths, but the issue in essence was clear-cut. Two sovereignties could not exist at the same time and in the same place. So long as the central authority was weak, the mumbo-jumbo of air-tight temporal and spiritual spheres could be recited, despite ubiquitous evidence that the Church strove for both powers and exercised both wherever it could, stopping not at the violation of all the Ten Commandments, particularly the first, in the effort to centralize ultimate power in the Papacy.

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[36] Quoted by Marx in his Capital, Vol. III, p. 734.

[37] Compare The Rise of American Civilization—Beard, Vol. I, pp. 256-268.

Purists for whom the salacious anecdotes of history exercise an irresistible fascination are in the habit of pointing out that Henry VIII's marital difficulties was the cause of England's Reformation. Every rational scholar must recognize that the king's divorce from Catherine of Aragon was only a pretext for a much profounder policy.[38] It would be the acme of puerility to contend that a great movement which was sweeping throughout Europe would be stopped at the narrow stretch of the English Channel by the domestic misadventures or otherwise of a single potentate.[39] It would be belittling the reader's intelligence to waste time on the pros and cons of a side issue which could have interest only for healthy adolescents and prurient adults. The policy of Cromwell coincided with the dearest wish of every dictator, as Henry VIII assuredly was, to destroy the political power of the Catholic Church by placing all spiritual power in the hands of the king.

Step by step over a period of five years the power of the Catholic Church over its clergy in England was whittled away until by the Act of Supremacy in 1534 all spiritual power was vested in the Crown. The following year Henry proclaimed himself the Supreme Head of the Church of England, and made Cromwell Vicar-General of the King in all matters ecclesiastical. The power of selecting bishops was now in the hands of the king, as well as the power of their removal. The enormous wealth [40] which these humble servants of Jesus had slyly accumulated through the ages now descended to the king.[41]

Then began a reign of terror in England carried on by Cromwell with the same ruthlessness which much later characterized the Terror in France. Perhaps the victims were not as many, but they were all of high estate. Nothing was to stand in the way of the iron determination to make England a national state, even if that would mean the establishment of a national Church, and if need be, a national religion. There could be no half measures, and neither king nor his agent were of the type to be thwarted by opposition, nor seek a truce by compromise in half measures.

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[38] History of the English People—Green, Vol. II, p. 148.

[39] History of the Church of England—Wakeman, p. 196.

[40] History of the Church of England—Wakeman, p. 146.

[41] History of the English People—Green, Vol. II, p. 181.

English became the language of the pulpit, and of the communicants. A new type of religious zealot was arising. The Bible was being taught and discussed. Each man felt capable of communing with his Maker, if so the spirit moved him, without the intervention of a priest. Religion evolved into an intensely personal matter which did not prevent one, of course, from attempting to impose his views upon his neighbor. The sacrament of the mass was attacked with indescribable fury, and the most sacred words of the old worship, beginning with the words of consecration "Hoc est corpus" were travestied into a nickname for word jugglery which has survived to this day as "Hocus-pocus."

RESULTS OF THE REFORMATION IN ENGLAND

Henry the Eighth was by no means a Protestant; all he was concerned about was to strengthen the political power of the Crown, even if he had to become the Defender of the Faith in England to accomplish his purpose. But revolutions have a way of transgressing the limits imposed by those who set them in motion. In 1548 the Mass was officially replaced by the Communion Service in English, and the Common Prayer became the new Liturgy.

Religious practices had become democratized. The official Articles of Faith, forty-two in number, were there for all to read and interpret as best they may. Devotion was now a form of communal expression of the entire Christian fellowship. The priest was no longer the medium through whom alone communion might be had with God. Every man now became the keeper of his conscience.

Ancient bulwarks of repression were yielding to the inexorable demands of progress. In the olden days the irremediable vice of blood had differentiated between the base and the noble born. The centralizing influence of kingly ambition had destroyed that prop of aristocracy as a support of the throne.

There remained the challenging power of the Church. It, too, had succeeded in erecting an impassable gulf between the people and their salvation in the person of the priest. Only he whom the Church ordained could mediate between man and his God. Once that barrier was removed, the flood-gates of democratic development were thrown wide open. The people's Bible became the medium of exchange for salvation in the hereafter, as hard cash became the common currency for those who sought salvation on earth.

Hegel considered the essence of the Reformation as Man's destiny to be free. Not every man could debate the niceties of the pretensions of the Holy See, the nature of purgatory or of heaven, the mystery of transubstantiation, the sacrifice of the mass, the adoration of the host, nor the intricate problems of confession, penance and indulgences. Few of the Protestant adherents could match the subtlety of priests on the denial of the cup to the laity, upon the invocation of saints, the adoration of images, nor why ceremonials should be conducted in a foreign tongue by celibate priests who were tied by severest vows to the service of a profligate court at Rome.[42]

"Luther," wrote Hegel, "repudiated that authority, and set up in its stead the Bible and the testimony of the Human Spirit. And it is a fact of the weightiest import that the Bible has become the basis of the Christian Church: henceforth each individual enjoys the right of instruction for himself from it, and of directing his conscience in accordance with it." [43]

During the brief reign of Queen Mary from 1553 to 1558 England had a fair taste of what a Catholic reaction meant. "The burning of heretics was a very natural method of reconciling the kingdom to the Romish communion," wrote Hume with mordant irony.[44]

Upon Elizabeth's accession all religious persecutions were stopped, though she herself worshipped as a communicant of the Catholic faith. Her subsequent actions were guided by political necessity in view of the alliance of Scotland with France and Spain against her. The reassertion of the Crown's supremacy as the head of the Church in England was impelled more by the natural desire to maintain her throne than because of any concern for the spiritual well-being of her subjects. Finally the religious test act was passed requiring of all priests and office holders of every description to take an oath of allegiance to the Queen as the head of the church, and abjuring all ties to the Holy See.

ECONOMIC TRANSFORMATION OF ENGLAND DURING THE REFORMATION

Behind the backs of the principal actors on the classical stage of history material forces were at work which were to transform England from a backward agricultural nation to the rank of leadership in commerce and industry. Enclosures of the commons, the uprooting of the village population, together with the seizure of the vast estates of the Catholic Church and their subsequent transfer to various private owners, all had tended to produce a migration to the towns.

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[42] History of England—Macaulay, Vol. II, p. 391.

[43] Philosophy of History—Hegel, pp. 417-18.

[44] History of England—Hume, Vol. III, p. 189.

It is all very well for supply-and-demand economists and historical philosophers of sorts to generalize upon the ultimate accommodation of population to means of subsistence. The homeless, uprooted peasants were shunted from pillar to post, and those who were not ruthlessly exterminated by the magistrates as vagabonds,[45] or survived hunger and privation eventually found themselves in towns.

Gradually they were absorbed in the woollen industry which was then in a boom stage. Manufacture of linens and silk-weaving were being introduced. Ship-building was essential to the growing commerce. The unsettled conditions of the Netherlands under Spanish despotism led many of its inhabitants to seek refuge in England, bringing with them the art and skill of their native land. It is estimated that after the fall of Antwerp a third of its merchants and manufacturers settled on the banks of the Thames. Fisheries employed an ever larger number. The peace and social order which characterized Elizabeth's reign after its turbulent beginning was just the necessary element required for taking root of that vigorous enterprise which was to lay the basis of the British empire.

Endless appeal in their extremity by the factions struggling for supremacy in politics and theology had endowed the people with a new sense of dignity, and their importance in the scheme of things. No general has yet fought battles without an army, nor do churches function successfully without communicants. The misfortune of the leaders was the advantage of the masses. No such mighty revolutions in human conduct as the change of a traditional religion can be effected without some attempt at rationalization of the process. The Bible was put into the hands of the people; and there were not lacking those who would instruct their fellows in its proper, which meant their own, interpretation.

This is the basis of sect, and English history of the sixteenth century abounds with their formation. "Theology rules there," wrote Grotius. Everybody, it appeared, set himself up as an authority on the Bible, and the natural tendency was to become its exponent and interpreter. To all this Elizabeth was opposed, in accordance with the Tudor policy of centralization in the Crown. By the same process which led so many of the French nobility to espouse Calvinism in opposition to the king, so did the bulk of country gentlemen and the bulk of wealthier traders become Puritans.[46]

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[45] History of the English People—Green, Vol. II, p. 368.

NATURE AND RISE OF PURITANISM

To the Puritan spirit God ruled the world in accordance with His covenant, and His vice-gerents on earth are not privileged to disobey it. There was to be no more unquestioning devotion to the will of the king, as formerly there was to that of the priest. All must be in the spirit of the Divine Word, and of that every man was judge. The Crown is entitled to fullest obedience, but the Crown itself must observe its obligations to those over whom it rules.[47] Herein can be found the essence of the coming republican struggle in England. Few foresaw it in the days of Elizabeth, though everywhere writers and statesmen were subjecting to the scrutiny of reason alike the claims of both Pope and king.

It was not a far step to raising the claims of the people, and this a sect of the Puritans did. When the critical time came the aristocrats among them went over to the Cavalier camp while the others were the nucleus around which Cromwell created his Ironsides, fighting with Bibles in one hand and weapons in the other.

The real strength of the movement in the early days lay with the smaller gentry and the middle class. The Old Testament had a peculiar fascination for them. They baptized their children with the names of Hebrew patriarchs and warriors. As Macaulay describes them, they must have been a dour lot. They were given to severe dress and long sermons, interspersed with frequent psalm-singing. The extreme Puritan was at once known from other men by his gait, his garb, his lank hair, the sour solemnity of his face, the upturned whites of eyes, the nasal twang with which he spoke and above all, by his peculiar dialect. He employed on every occasion the imagery and style of Scripture.[48]

Wherever possible, they invoked the spirit and example of Jewish procedure,[49] and we shall find during the seventeenth century the recrudescence of a Jewish-minded theocracy on the shores of Cape Cod. They opposed bearbaiting, jibes Macaulay, not because of the pain it gave to the bear, but because of the pleasure it gave the spectators.[50]

[46] History of the English People—Green, Vol. III, p. 16.
[47] History of the Church of England—Wakeman, p. 334.
[48] History of England—Macaulay, Vol. I, p. 182.
[49] Ibid., Vol. V, pp. 14, 65.
[50] Ibid., Vol. I, p. 177.

There came a time when these ungainly zealots succeeded to the rule of England by right of conquest, and there followed a memorable example of the implacable intolerance which their co-religionists had brought with them to the New World. But their affirmative contribution to history lies in the republican spirit which they fostered and the indomitable energy with which they pursued their purpose despite all discouragement, even in the face of imminent disaster.

The school-book version of the Puritan which carefully delineates a God-fearing individualist scarcely does justice to the fullness of his nature. It was this very intolerance which bred the virtue of perseverance toward a goal set. Their meeting house for the generality, their reliance upon the judgment of the assemblage, their devotion to popular education, albeit within the narrow compass of their particular dogmas, all contributed an essential element to the formation of that democratic temperament which characterizes the American people to this day.

It may appear far-fetched to trace to Puritan influence the organization of our government into autonomous local government units with limited authority for the central government, while carefully reserving to the people all rights not specifically granted. But such, indeed, was the fact to an overwhelming extent.

The dread of centralized power, whether in political or church organization, was the essence of the Puritan opposition to episcopacy and in favor of the decentralized presbyterian form of organization.[51] Two hundred years later at the Constitutional Convention where the New Roof [52] for the nation was being constructed, the architects fought bitterly over the problem of centralization and decentralization. In the very forefront of the battle for local and popular rights stood the uncompromising Puritans of New England. Only after a very bitter struggle did the Massachusetts General Assembly ratify the Constitution by the slender margin of 187 for, to 168 against.[53] New Hampshire's vote was 57 to 46. Other states had significant minorities, but to the Puritan influence we owe the adoption of the immortal Bill of Rights, which was made a condition by a sort of gentleman's agreement for Massachusetts' unqualified ratification.[54] The most permanent element in life is the spirit of a people, and an American has but to look about him to observe everywhere the imperishable monument to Puritan obstinacy.

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[51] History of the Church of England—Wakeman, pp. 338-9.

[52] Critical Period of American History—Fiske, p. 338.

[53] History of the United States—Hildreth, Vol. III, p. 537.

[54] Critical Period of American History—Fiske, pp. 329-330.

C. The Rise of English Merchant Capitalism

ENGLAND'S MERCANTILE SYSTEM

Modern historians have come to the conclusion that the secret to our colonial history lies in the analysis of the English colonial trade system. In so far as that means the abandonment of the interminable personal anecdote method of writing history, this is a decided gain. Yet that emphasis upon the economic factors must lead to an incomplete, and therefore defective, analysis.

The so-called mercantile system of England was not peculiar to her. France, Spain, Holland and Sweden followed the same system, yet with different results. Obviously there must have been present other factors besides the economic. Our analysis so far has disclosed the differences within the social structures of the three great colonizing nations in America which influenced their colonial policy from the standpoint of their state organization and the ideological basis of their distinctive type of civilization. We have now to observe how the application of the mercantile theory operated in the English colonies when faced with a population nurtured in the spirit of freedom and accustomed to the art of self-government.

BASIS OF THE MERCANTILE THEORY

First we must establish clearly what was this mercantile system. It is that period in the development of capitalism where merchant capital dominates the process of exchange between the producer and the consumer. Wherever the production of wealth passes beyond the stage of providing only for one's wants and those dependent upon him, the surplus production is brought to a market for exchange. This presupposes a division of labor beyond the merely physiological or that dictated by natural resources. The division based on sex is that of woman's household labor and in the fields, while man is hunting or fishing or fighting.

Much later in the progress of society there is established a cleavage between town and country. Mankind has already reached a high state of civilization when he brings his products to market for exchange. This generally is preceded by a sale, and with the intervention of money received as the selling price, other products are purchased. It is only accidentally that owners of commodities are able to meet in the market those who will want exactly in exchange what they have to offer. The development of money in the form of precious metals already indicates an advanced civilization.

Even as late as the seventeenth century merchant capital dominated the process of exchange. Essentially the process is one where A buys from B to sell to C. Means of communication and transportation are such that B and C cannot meet to exchange their products, and only by sheerest coincidence will each want what the other has to offer.

Now the severest critic of the mercantile system was Adam Smith. Living as he did at the threshold of the period which was to usher in the hegemony of industrial capital, he was impressed with the utterly parasitic nature of merchant capital. Because B and C could not meet, and if they did, exchange would be most uncertain, A, the merchant, contrived to buy from the producer at the lowest possible price and sell to the consumer at the highest possible price. He exploited both ends to his great profit. The merchant did not create wealth, since the products he bought and sold were already in existence.

In so far as he contributed the necessary labor of transportation, the merchant added to the value of the commodities he handled. But that was incidental to his main purpose, while the additional value his labor—or that of his agents—contributed to the commodities was but a small fraction of the profits he reaped. The labor of transportation, if necessary to effect the exchange, adds value to a commodity. Even Marx recognizes that.[55] But not all the transportation effected by a merchant is necessary labor. If a man tries to sell a consignment of goods in New York and then takes it to Chicago to interest another prospect, and then returns again to New York where he finally disposes of it, he cannot in a free, competitive market charge more for those goods because of shunting it back and forth. It is one of the dead expenses of circulation and a deduction from the gross profit.

During the early colonial period merchant capital was in the ascendancy. But it was by no means exclusive. Even a merchant had to have a steady supply of goods to be sold; in short, the producer had to be within reach. It was to the interests of a progressive country like England to have its manufactures in a thriving condition not only for the revenues to be obtained, but also because they gave employment to its people and thereby enriched the commonwealth.

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[55] Capital—Marx, Vol. II, pp. 151-5.

COMMERCIAL POLICY OF ENGLAND'S RULERS

Hallam reports how effective was the taxing power of England's rulers upon its merchants. Duties were imposed at the ports because they could be readily collected with a minimum of expense, with confiscation as the penalty for evasion. When the Parliament was strong enough to resist burdensome levies it did so, but with the advent of the Tudor and Stuart kings,[56] the merchant class was pretty much at the mercy of the king's will, or rather his needs.

The great explorations of Portugal, Spain and Holland spurred England on to new efforts. "Elizabeth lent a ready patronage to the new commerce," wrote Green. "She shared in its speculations, she considered its extension and protection as a part of public policy, and she sanctioned the formation of the great Merchant Companies which could alone secure the trader against wrong or injustice in distant countries." [57] Long before her, during the reign of Henry VII the Merchant-Adventurers of London had been incorporated. This was the pattern for similar grants. Among the merchant companies so chartered was the group which established on the shores of the New World England's first permanent colony in Virginia.

It is interesting to note upon what authority England's kings based their right to the exclusive chartering of merchant companies. Commerce, it was argued, by its very nature must deal with the relation of English subjects with foreign states. Since the sovereign has full power to regulate his relations with foreign powers, by parity of reasoning that sovereignty cannot be questioned by those whose business is between domestic and foreign shores. "All affairs of commerce and all treaties with foreign nations belong to the king's absolute power," argued one of the king's supporters. "He therefore who has power over the cause, must have it also over the effect. The seaports are the king's gates, which he may open and shut to whom he pleases." [58]

This argument is more euphonious than reasonable. For no experience is more common in life than that while we may exercise control over our acts, we cannot control the consequences of our acts, otherwise few generals would ever lose a battle, and surely, apropos the cause for which the king's apologist spoke, no king would ever lose his head. The so-called absolute right of the king in matters affecting international relations is capable of indefinite extension. Every male subject capable of bearing arms is in the last resort the prop of the nation's defense, and could therefore become amenable to the regulation of the sovereign.

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[56] Constitutional History of England—Hallam, Vol. I, p. 312

[57] History of the English People—Green, Vol. II, p. 373.

[58] Constitutional History of England—Hallam, Vol. I, p. 314.

No monarch who has the power to enforce his commands need rely upon the subterfuges of his counsellors; the excuses of historians come long after the event. Even the powerful Elizabeth, when pressed for funds, found herself confronted in 1601 with a Parliament of unusual spirit and was compelled to compromise her theories. Protest was made against the grievous monopolies her favor had created to the cost and detriment of the nation. "The Commons were loyal enough. They decided at the outset to grant all the money that the government required; but before putting the measure into shape a member arose and read a bill of a dozen lines for the abolition of the detested monopolies." [59]

After four days of heated debate the like of which Parliament had not experienced for years, "the ferment was suddenly appeased by one of those well-timed concessions by which skillful princes spare themselves the mortification of being overcome. Elizabeth sent down a message that she would revoke all grants that should be found injurious by fair trial at law." [60] With her usual duplicity the good Queen Bess overrode the storm by bending before the wind, but that episode is important in English constitutional history as marking the time when a member could openly oppose the Crown without being sent to the Tower.

NATURE OF THE MERCHANT COMPANY MONOPOLIES

Monopolies of the sixteenth and seventeenth centuries must be distinguished from monopolies of the nineteenth and twentieth centuries. Monopolies of the first type were the creatures of law, or decrees which had the effect of law, while monopolies of the second order were the result of economic processes often in direct defiance of substantive law. Commercial monopolies were grants of exclusive privileges to buy and sell which were characteristic of the period of merchant capital, whereas the industrial monopolies of the later period were built around the process of production and transportation, where circulating capital had become subsidiary to productive capital.

This distinction is vital. In the early stages of modern capitalism, merchant capital dominated production as well as finance. The early

[59] The Puritans in Holland, England, America—Campbell, Vol. II, p. 173.
[60] Constitutional History of England—Hallam, Vol. I, p. 261.

bankers were the great merchants of their time. Manufacture was subservient to their demands. Beginning around the time of Adam Smith, who was its great theoretical spokesman, industrial capital was asserting its supremacy within the cycle of capitalist economy. The merchant receded before the tremendous impact of the industrial revolution. He no longer started, regulated and controlled the cycle of production—circulation—reproduction. The type of commodities the industrial capitalist produced were cheap and in universal demand. Merchant capital was reduced to the function of commercial capital, as an assistant in the process of facilitating the transformation of capital in its commodity form to capital in its glittering money form.

During the earlier stage of capitalism it was a rare thing for a handicraftsman or petty manufacturer to become a merchant in the grand meaning of the term. In the period of industrial capitalism we find not only that merchant capital is subservient to productive capital, but is frequently a division of productive capital. The Standard Oil Company is a perfect illustration of being not only the producer but the distributer of its products. For capital in general, commercial capital has now assumed its allotted sphere in the process of production—reproduction of capital and shares its proper proportion in the allocation of the average rate of profit. The laws of competition when left to their own devices will prevent the undue share in the increment of one portion of capital over the other. It is only when monopoly interferes with the operation of these so-called natural economic laws that excess profits can be reaped.

VIEWS OF ADAM SMITH

Adam Smith standing at the threshold of a revolutionary transformation wrote his mighty philippics against the entire system of monopolies as he then viewed it. The only monopoly possible in his time was that established by legal fiat for the benefit of the merchant, either as an individual or a corporation. The merchant does not produce wealth; he only reshuffles it, and in the process is often left with the major portion in his possession. The carrying trade is unproductive of real wealth, though vital in effecting the metamorphosis of commodities and tends to draw capital away from industry where alone wealth is produced.[61]

With profound insight into the nature of the industrial revolution which he was witnessing, Smith speaks out for the new Political

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[61] The Wealth of Nations—Smith, pp. 569-70 (Mod. Lib. Ed.).

Economy which is concerned with the creation of the true wealth of nations, which consists not in juggling values already in existence, but in the creation of new values by industry and agriculture.[62]

Still that should not blind us to the historical role of merchant capital as it functioned in the sixteenth, seventeenth and eighteenth centuries. To it in large measure we owe the foundations of what is now the United States. It was the development of merchant capital within the colonies which gave rise to the clash between them and the mother country. This clash produced definite political repercussions. We shall discover presently why these reactions developed as they did in the English colonies, and not in those of France and Spain. We shall trace the rise of industrial capital both here and in England, and we will observe that the climactic events to which they led in 1775-1783 were the result not only of the economic factors but of the blending with them of the political principles and the ideological reactions of the inhabitants of the English colonies which differentiated them from all other colonies in the New World. But all must be considered in its due historical relationship.

There is nothing incongruous in two rights developing side by side first in harmony and then in mutual, mortal antagonism. For its time, as we shall conclusively demonstrate, the mercantile policy of England was sound, rational, and fair to both the colonists and the merchant adventurers. In course of time a cleavage developed between the further progress of the colonies and the interests of the mother country. Their ratio of movement, at first synchronous, was no longer in harmony, and at times antagonistic. There comes a point when compromise means stagnation, but the temper of the English spirit was not moulded to blind acquiescence.

IMPORTANCE OF THE HISTORICAL FIELD IN THE ANALYSIS OF POLITICAL PROBLEMS AND SOCIAL FORMS

It is one thing to see a perfectly necessary development leading to a clash. It is a far different matter to weave out from the environment of the twentieth century, as some writers do, learned prescriptions as to what ought to have been England's policy in the eighteenth century. Those writers are guilty of the error in their calculations of removing, in thought, all elements of the problem back to the time of which they write, except the bases upon which their theoretical measuring rods are founded. It is absurd to reason about the economy of the mercantile system with the point of view developed by the finance capitalism of the twentieth century, or industrial capitalism of the nineteenth.

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[62] Ibidem—on definitions of political economy, pp. LVII, 3, 397, 643.

"Perhaps the greatest factor in bringing about that fatal difference of thought between England and the American settlements was the trade system," [63] writes Guttridge. The navigation acts whereby England engrossed the major portion, and by far the richest carrying trade with the colonies, was not the result of malice or caprice or some blundering oversight. The very essence of the English commercial system as it then existed depended upon the creation and enforcement, as best they could, of that monopoly.

Of course it irked the growing colonies, but without those limitations English merchants would be at a decisive disadvantage. It would be absurd for them to build up colonies for the benefit of Dutch, French and Spanish merchantmen. So, too, does a contemporary writer, Hinkhouse state: "The manufacturers, likewise, laboring under the doctrines of mercantilism, and with a view to profits, kept a watchful eye on colonial affairs. One of the tenets of the mercantile system, which had come to be regarded as an immutable law by a great number of Englishmen, was that if the Americans should manufacture for themselves, their value to England would be lost; and therefore most Englishmen had long been jealous of any colonial attempts at manufacturing." [64]

Our English business man is among the most pragmatical on earth. He may have his immutable notions on astronomy, free love and the binomial theorem, but when it comes to business matters he had one infallible test, the self-same profit register which Hinkhouse admits he always kept in view. This manufacturer was a staunch protectionist during the seventeenth and eighteenth centuries, when he feared competition because of the long head start of Holland and Spain, but was an equally staunch free trader for the rest of the world in the nineteenth century when he knew no competition could touch him. Yet in the twentieth century, when the world had caught up with, and in some respects, passed him, this same Englishman, to whom Hinkhouse ascribes a peculiar reverence for immutable ideas, was quick to change his tone and sing lustily for protection, all sorts of protection, from the home market to the imperial market. None is more agreeable to change than your hard-headed English business man who knows but a single immutable law, and that is to keep clear of the sheriff's hammer. But on that score he is not lacking in sympathizers, if not supporters, wherever capitalist economy prevails.

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[63] The Colonial Policy of William III—Guttridge (1922), p. 150.

[64] Preliminaries of the American Revolution—Hinkhouse (1926), p. 49.

INDIVISIBLE NATURE OF CAPITALISM AND NATIONALISM IN THE SEVENTEENTH CENTURY

Foreign commerce, as we observed, was always considered as peculiarly within the regulatory powers of the Crown. Problems of duties, customs and even control of goods carried to foreign ports occasioned frequent resort to diplomatic intervention. This was the basis for the establishment of consular agents as business representatives in foreign countries, as distinct from ambassadors who were the duly accredited political representatives of a sovereign to a sovereign.

The peculiar halo which always surrounded foreign trade to this very day is due to the fact that business and political considerations are inextricably intertwined. The so-called "dollar diplomacy" of the American government in the nineteenth century down to our own times is based upon the political consequences of that economic relation. Capitalist economy cannot dissociate them, as long as ports are nationally controlled and legal recourse must be had to the courts of an independent sovereignty, to enforce simple business claims.

Capitalism and nationalism are indivisible, and any clash between the interests of national capitalism on the international sphere must in the last resort be decided by the arbitrament of force. Political internationalism and capitalism are contradictions in terms. Every so-called international organization based on this mode of economy is merely a grouping of national sovereignties, each of which must retain its freedom of movement if it is resolved to maintain its political independence. This is a fundamental law of motion on the basis of existing world economic relations.

In the times which we are now discussing two general forms of commercial companies existed for foreign trade. The first were the regulated companies; the other, joint stock companies.[65] The regulated companies were incorporated associations of merchants in the nature of guilds, for the purpose of carrying on trade within the terms of their charter. No merchant could engage in that commerce without being a member of the company. In order to prevent abuse of power by the directors, or unjust discrimination, strict rules were laid down enforceable by the Crown through an appropriate agency, such as the Privy Council or the Board of Trade, concerning rights to membership on the part of qualified merchants, as well as due observance of the company by-laws by their directors and agents.

Admission to the regulated companies could be obtained by the payment of a fine or fee, varying from five to a hundred pounds sterling. That grave abuses did arise despite the best of regulations was to be expected, human nature being what it is, despite the Ten Commandments.

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[65] See Adam Smith's Wealth of Nations, pp. 690-708.

Among the English regulated companies were such as the Hamburgh Company, the Russian Company, the Turkey Company, the African Company, whose names indicate the current of their commercial operations. Some of them exercised political functions within the terms of their grant, such as erecting forts and maintaining a private army, as with the African Company, or contributing to the maintenance of an ambassador and consuls, as did the Turkey Company.

After the Revolution of 1688 the charters of all regulated companies not heretofore confirmed by act of Parliament were declared of no effect. Joint stock companies were organized on the general lines of the modern corporation so well known to us. The enterprise was owned by the shareholders whose interests were determined by the extent of their contribution. Its affairs were managed by a board of directors elected by the stockholders. An open market was established for the sale and purchase of shares, and dividends were declared at periodic intervals as earned.

Because the nature of their business carried them into fields outside of the orbit pre-empted by the regulated companies, they were accorded special privileges for the protection of their interests. These included the establishment of diplomatic relations with native rulers or tribes, coinage of money for their particular trade within the area of their operations, the purchase and sale of lands, the erection of forts and the maintenance of troops.

In short, private companies of merchants were accorded the fundamental privileges of sovereignty under the general supervision of the Crown. In the French and Spanish colonies we saw that no matter what other concessions might be made, absolute sovereignty was maintained over the colonies by personal representatives of the Crown.

D. Establishment of the American Colonies

CHARTER RIGHTS OF THE EARLY ENGLISH MERCHANT COMPANIES IN AMERICA

Examination of the patent provisions under which both the Virginia and Massachusetts colonies were established by grant of King James I describe in detail the power and duties of the company together with the rights and privileges of the colonists, under the general suzerainty of the Crown. Article I delimits the territory to be occupied; Article II establishes two companies in England, the first consisting of gentlemen and merchant adventurers about London, the other about Plymouth; Article III declares that the grantees must never lose sight of advancing the glory of God and greater fame of his divine Majesty "in propagating of Christian religion to such people, as yet live in darkness and miserable ignorance of the true knowledge and worship of God, and may in time bring the infidels and savages, living in those parts, to human civility, and to a settled and quiet government."

Articles IV, V and VI grant unto the respective companies within the circumscribed territories all land, rivers, mines and fishing rights, with the privilege of colonizing and fortifying them according to their discretion, with provision against conflicting claims to contiguous territory; Article VII grants to each colony the right to establish a council of thirteen members with full authority to legislate, subject to ratification by the king and his privy council; Article VIII provides for a Council of Virginia living in England consisting of thirteen members appointed by the king to have the superior managing and directing of both colonies, whose establishment according to the original intention was to be within the thirty-fourth and forty-fifth degrees north latitude. Article IX grants to the companies all mining rights with the proviso that one-fifth part of all gold and silver and one-fifteenth part of all copper mined shall be yielded to the Crown; Article X empowers the company to coin money for trade within the colonies, and between them and the natives; Article XI permits the adventurers to colonize the territories assigned them; Article XII gives the colonists the right to repel invaders, taking all military precautions necessary thereto. Articles XIII and XIV pertain to duties on trade which are to be reserved for the first twenty-one years for the uses of the colonies. and thence revert to the Crown, with certain articles free of duties for seven years.

Article XV grants to all colonists as subjects of the Crown "all liberties, franchises, and immunities, within any of our other dominions, to all intents and purposes, as if they had been abiding and born, within this our realm of England, or any other of our said dominions."

Article XVI provides for confiscation of goods which are intended ostensibly for export to the colonies, but really for foreign countries in order to evade imposts on foreign commerce; Article XVII provides for prosecution of crime in the colonies; Articles XVIII and

XIX provide that land was to be held in free and common socage pertaining to the king and his heirs as holders of the manor of East Greenwich in the county of Kent, and not in capite. This made the colonies part of the estate of the Crown; the duties were payable in the form of money rent, rather than in service requirements to the crown as part of feudal tenure obligations associated with the term in capite.[66]

HISTORICAL LIMITATIONS OF THESE UNLIMITED GRANTS

This detailed statement of the patent rights granted by James I to the companies of London and Plymouth associates proves only the mutability of material things as against those pertaining to the spirit. Ample opportunity exists for the literary school of historians, for whom a well-turned phrase offers greater fascination than the logical process of science, to inveigh against the iniquities of this charter. "The emigrants," writes Bancroft with indignation, "were subjected to the ordinances of a commercial corporation, of which they could not be members; to the dominion of a domestic council, in appointing of which they had no choice; to the control of a superior council in England, which had no sympathies with their rights; and finally to the arbitrary legislation of the sovereign." [67]

But few are so shrewd as the popular discernment of weakness in the one who is master of their destiny. Forces in England had already maneuvered the king's will in opposition to that of his subjects. It required but a favorable opportunity for the people to pit their power against that of the king in the assertion of his hereditary absolute rights. The superior council in England was permitted to name the colonial council. There were no such things as popular rights outside of the vague privileges conferred by the status of being an English subject.

Subsequently in 1609, after the initial grant, the charter was modified in favor of the company. The local council had been distracted by cabals and jealousies. This was remedied through the superseding of the local head, the president of the council as he was heretofore called, by a governor appointed by the company's council in England.

A number of wealthy noblemen and rich merchants were interested in the success of the venture, while 150,000 pounds for its support was raised through a lottery. Not enough ships could be obtained to carry across those who clamored for embarkation.

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[66] Genesis of the United States—Brown, Vol. I, pp. 52-63.

[67] History of the United States—Bancroft, Vol. I, p. 96.

After surmounting the first inevitable hardships—magnified by the sloth and avarice of the first comers—the colony numbered about five thousand souls, after fifteen years of its existence.[68] Eventually, as the outcome of a struggle between the London Company and the king, the details of which are not pertinent to our present inquiry, the charter of the company was declared forfeited, and the colony came under the direct control of the Crown.

Meanwhile the king prudently assured the colonists that they would continue to enjoy the privileges exercised by them during the past five years. This meant the recognition by the Crown of their rights to self-government which they had enjoyed exactly five years.

ORIGIN OF THE FIRST REPRESENTATIVE ASSEMBLY IN AMERICA

Some historians are much concerned about dates as establishing the beginning of events. To us history is a process of development through the medium of social forces operating within a determinate historical field. If one were so inclined, he could date the beginning of the American Revolution with the first meeting of the Virginia Burgesses in 1619. Or perhaps the provision of the original patent granting to the colonists all the rights of Englishmen might serve the purpose as well as any other.

Those given to the "If" interpretation of history can find rich ground for unfruitful speculation upon the manner in which the first representative assembly in America was instituted. It appears that a certain Argall, deputy governor of Virginia by appointment of the council in England, turned out to be a rather arbitrary person and a scoundrel to boot, with a penchant for ruling by martial law. Due to the death of Lord Delaware, the governor-general, this deputy was continued in power long beyond the customary period. Since the shareholders of the London Company were not making money on their venture, they could afford to be generous in listening to complaints concerning Argall's arbitrary conduct.

Finally George Yeardley, a former deputy, was selected as governor-general in place of the deceased Lord Delaware. Upon his arrival he caused a proclamation to be issued that all the oppressive measures of his immediate predecessor would be repealed, and authorized the meeting of a general assembly with two burgesses from each plantation freely elected by the inhabitants thereof, and to meet once a year to consider laws for the general welfare, within the terms of the grant of the Crown.

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[68] The Colonization of North America—Bolton and Marshall, p. 123.

At that time there were but seven plantations. Four more were created. Thus came into existence the Virginia Burgesses consisting of the governor, the colony council, and two deputies from each of the eleven plantations.[69] Their first session was held at James City on July 30, 1619. We have no aversion to dates. Some of them like the one just given are important not in themselves, but in the current which they indicate.

It is futile to contend that events might well have been otherwise. Of course they might. But it is a far different matter to claim that in the absence of these specific events the inauguration of a popular assembly might have been long deferred or perhaps denied. We shall presently observe that in the colony of Massachusetts a representative body came into existence by the operation of wholly dissimilar causes, yet leading to the same result. Obviously there must have been at work social forces of a far more fundamental character than the surface manifestations referred to by some historians, to account for dissimilar conditions bringing about similar consequences.

LIMITED CHARACTER OF POPULAR GOVERNMENT IN VIRGINIA

Nor is it necessary to stress the fact that the term popular assembly at that time carried a far different signification than it does today. The people as we know them—the shoemakers, the bricklayers, the tailors, and the ditch-diggers—had not yet emerged as a distinct entity on the stage of political activity. The burgesses called together were men of substance, owners of plantations, soon to be the owners of slaves, the holders of indentured whites, and most of them aristocratic to the bone. Election was by means of a paper headed by the candidate and subscribed to by those entitled to vote. Later the method was changed to that of an open meeting and voting by voice.[70]

Bancroft states that "the London Company merits the praise of having auspicated liberty in America." [71] That was not their intention, and perhaps furthest from their desire. Social forces infinitely more powerful than the peculations of governors or the whims of stockholders were at work to produce that result. All the elements of absolutism on the European model were lacking in English America. An independent land-holding aristocracy was being established on the river-front plantations of Virginia. Many of them were the scions of English nobility. None of them depended upon the bounty of the king. They had to fight for their common defense. Land was open to all who could gather together the comparatively small sums required for its purchase.

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[69] History of the United States—Hildreth, Vol. I, pp. 118-119.

[70] History of the United States—Hildreth, Vol. I, p. 339.

[71] History of the United States—Bancroft, Vol. I, p. 125.

Besides that, the colony was becoming self-sustaining. Tobacco had become the staple crop and only exportable commodity of Virginia. By royal proclamation of James I and later confirmed by Charles I the growing of tobacco was interdicted in England, thereby giving a monopoly of that trade to Virginia, in which Maryland later shared. Here we see the operation of that commercial system which was to become the cornerstone of England's colonial policy. Virginia was to sell all its tobacco crop to England, while in payment the colony was to receive English goods. The arrangement was simple, and at first exceedingly profitable for both sides, particularly since tobacco of Spanish origin was excluded from the English market.

That slavery was introduced into Virginia at the same time that the first Parliament was established in the New World is one of the ironies of fate, yet that very fact proved the solid basis upon which the representative assembly was based. There was no maudlin sentimentality about the inalienable Rights of Man. They were vitally concerned about the rights of Englishmen situated as they were, and of the social status which they occupied in having a voice in the laws by which they were governed, and the taxes that were levied on them for the upkeep of government. Rights only become such when privileges heretofore enjoyed are suddenly denied. In England gentlemen of the Virginia planter's social standing would be entitled to seats, or at least to representation, in the Commons. The Virginia House of Burgesses was the American counter-part of an ancient English institution.

Neither the French nor the Spanish colonies in America ever developed such a representative body. It was foreign to their form of social organization. The political ties which bound them to the mother country was one of absolute dependence upon the sovereign's will. England, too, had her despots, but she never acquiesced —at least not in the seventeenth century—to their despotism. France and Spain had their commercial companies, but none of them could have conferred upon a colony, as the London Company did, the privilege of self-government, for the simple reason that self-government was foreign to the social organization from which they respectively sprang forth.

FOUNDING OF MASSACHUSETTS—THE MAYFLOWER COMPACT

That Massachusetts and not Northern Virginia around the Hudson River was settled by Puritans may have been due to an error of navigation,[72] or in the eyes of some writers an act of Providence,[73] or one of those lucky, unforeseeable accidents of history. There was nothing accidental, however, about the compact which the prospective colonists on the Mayflower drew up before landing. Their original grant was from the Virginia Company which would render them amenable to the government then already existing for that colony. Anyone who understands the Puritan temperament of that period, and the subsequent course of events in the Massachusetts colony, can entertain no doubt as to the ultimate outcome no matter where they would have landed.

Finding themselves outside of the jurisdiction of the grantor, with true Puritan spirit a meeting of the generality was had on board ship and the following agreement was subscribed to by the forty-one men among them: "Having undertaken, for the glory of God, and advancement of the Christian faith and honor of our king and country, a voyage to plant the first colony in the northern parts of Virginia, do, by these presents, in the presence of God and one another, covenant and combine ourselves together, into a civil body politic, for our better ordering and preservation, and furtherance of the ends aforesaid; and, by virtue hereof, to enact, constitute, and frame such just and equal laws, ordinances, acts, constitutions, and offices, from time to time, as shall be thought convenient for the general good of the colony; unto which we promise all due submission and obedience." [74]

It does not detract a single iota from the historic significance of this compact when we observe that this agreement was in complete consonance with the equalitarian religious principles which they professed for their church organization and now translated into the body of their political organization. That they were unwilling to extend this democratic fellow-feeling to others not of their creed their subsequent history fully demonstrates. Nor is the spirit of that compact altogether novel among Englishmen who were on the same social footing, and starting life again in a new world where class distinctions could not be supported by wealth, nor power, nor pretensions of birth.

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[72] History of the United States—Hildreth, Vol. I, p. 158.

[73] History of the United States—Bancroft, Vol. I, p. 243.

[74] American History Told by Contemporaries—Hart, Vol. I, p. 344.

Bolton and Marshall emphasize that the social compact entered into between and among the colonists formed the basis of the colonies of Rhode Island, Connecticut and New Hampshire in their form of government, recognizing the will of the colonists rather than of the sovereign as the origin of their rights. With the crossing of the frontiersman beyond the restraints of the tidewater governments of the southern plantations, the social compact became the basis of western state making, these writers contend.[75]

We are safe in asserting that scarcely one in a hundred of these western settlers ever read the Mayflower Compact. Nothing is more certain in history than that phrases are employed to justify acts, rather than to inaugurate them. Those settlers in the main acted first, and then rationalized about them afterward. Self-government was deeply imbedded in the contemporary English spirit, and in the relative freedom of the New World, nothing but stark necessity or major force would make an Englishman yield those cherished liberties. The Spanish and French colonists, and their descendants too, lived in this New World atmosphere, but their spirit reflected the social organization in which they were brought up, and in that society the individual had not yet arrived at the stage of political self-consciousness.

THE PECULIAR NATURE OF THE MASSACHUSETTS THEOCRACY

In the advertisement which prefaces the first volume of Hildreth's work, there is stated that nowhere else can be found with such completeness the curious story of the New England theocracy which ruled the colony in high-handed, and sometimes brutal fashion for seventy years. For those who look upon history as a logical process, in the ironic phrase of Boudin, there is something incongruous that a group of religious zealots who having sacrificed so much for the sake of conscience themselves, should be ready to employ every weapon that malice could conceive or vindictiveness invent to deprive others of that equally inalienable right. Macaulay expresses the thought in this following sentence. "After the fashion of oppressed sects, they mistook their own vindictive feelings for emotions of piety, encouraged in themselves by reading and meditation a disposition to brood over their wrongs, and, when they had worked themselves up into hating their enemies, imagined that they were only hating the enemies of heaven." [76]

[75] The Colonization of North America—Bolton and Marshall, p. 138.
[76] History of England—Macaulay, Vol. I, p. 88.

These psalm-singing, Bible-toting Puritans who felt that breath wasted which did not resound to the glory of the Lord, who reveled in interminable sermons and equally interminable discussion upon its merits, who fought so earnestly for the separation of Church and state at home, did not hesitate to establish a closed-fisted theocratic government in the land where they ruled supreme. Even that is subject to stricter qualification, since the form of government organization was such that only church members were entitled to vote, while only one fourth of the adult population were permitted to become members of the church.[77]

This stiff-necked spiritual aristocracy set themselves up as the censors, magistrates and judges of their fellows with a jealous regard for each other's privileges and an equal contempt for those outside the sacred precincts. In vain did freemen protest against this gross violation of the Mayflower Compact and plead for their fundamental rights as Englishmen.[78] Their final answer was the adoption of a law by the General Court, as the common council of the colony was called, subjecting to fine and imprisonment all who should defame the court and its proceedings.[79] Capital punishment was prescribed for no less than twelve offenses,[80] among them being idolatry, witchcraft and blasphemy.

Early in the career of Massachusetts its dominant elements developed the art of appearing to consent to the wishes of the Crown or the populace while yielding not an inch in some out-of-the-way qualifying clause of a long resolution which upset entirely the apparent tenor of its substance; such as that "every church hath free liberty of election and ordination of all their officers, provided they be able, pious, and orthodox," [81] of which the magistrates shall be the sole judge. Every man, like the beasts in the forest has a right to liberty, but liberty is incompatible and inconsistent with authority, admonished Governor Winthrop. It must be exercised in a way of subjection to authority; just like a woman, having chosen her lord, she is to be subject to him, yet in a way of liberty, not of bondage.[82]

This peculiar gift for casuistry we shall find being employed by the descendants of the Puritans a hundred years later in a far more noble cause. All this is stated not to expose, but to explain the Puritan temperament. It was stern, unyielding, autocratic, reflecting the level of their time, rather than affecting the roles of their descendants who in their own way were to be the harbingers of a new social outlook.

[77] History of the United States—Hildreth, Vol. I, p. 190.

[78] Ibid., Vol. I, p. 270.

[79] Ibid., Vol. I, p. 255.

[80] Ibid., Vol. I, p. 278.

[81] Ibid., Vol. I, p. 279.

[82] Ibid., Vol. I, p. 309.

This is characteristic of historic progress. In their words these Puritan seers surround themselves with the aura of futurity, while their acts were dictated by the needs of the present and reflected the cultural level of their contemporaries. The perverted patriotism which would absolve itself from genuine concern with current problems by a counterfeit faith in the wisdom of the past, knows little of that past and even less of the present. The greatness of the Puritan spirit lay in its assertion of democracy, even though contact with its processes was reserved for God's elect. A later age would enlarge the beneficence of God's concern, take up those phrases, but expand those political processes to include an ever widening circle of the adult human family.

RELIGIOUS PERSECUTION BY THE PURITANS

Meanwhile the chosen of the Lord had things all their own way. Known Quakers were to be transported out of the colony after suffering twenty lashes. If one returned he was to be hanged. Several actually suffered that fate, while one woman was reprieved on the very scaffold upon the impassioned, soul-stirring pleadings of her son, who promised to take his mother out of the colony within forty-eight hours.[83] Anabaptists were driven out,[84] while Catholics could not enter upon penalty of death.

Forty-four years after Plymouth was founded a handful of Baptists furtively gathered in private homes, under imminent danger of fine, imprisonment and banishment. It required thirteen years more before the spirit of godliness had sufficiently entered these unbending Puritanical souls, or perhaps age had conquered the viciousness of their inquisitional ardor, before a Baptist church could be erected. But even then their declining spirit engendered sufficient fire to order the forfeiture of any church building established without their consent; while three years later, upon the Baptists venturing to hold a service in their new meeting house, the magistrates promptly responded by boarding it up.[85]

King Charles II urged greater toleration for Protestant sects, without avail; and it was only through the gradual removal of these bigots by the inexorable laws of nature, assisted by the liberal revolution of William III that a new generation succeeded in softening, but not in eradicating, the effects of their intolerance. "Theocracy," concluded Hildreth, "which had founded and so long had ruled the colony, deprived of its political supremacy, and reduced to a mere party in the state, was to see, one after another, all its favorite ideas of social polity abandoned; not, however, without lingering in the laws of the province, and still more in the spirit of the people, leaving, indeed, to this day many evident and characteristic traces of its former empire." [86]

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[83] History of the United States—Hildreth, Vol. I, pp. 405-8.

[84] Ibid., Vol. I, p. 428.

[85] Ibid., Vol. I, p. 497.

But balancing the gains against the losses, the virtues of the Puritans far outweighed the evils of their theocratic regime.

One can well sympathize with the earnest historian who would draw the curtain over that inglorious phase of our New England history—the evidence is so voluminous and so damning. Yet it has been shielded, perhaps necessarily so, from the eyes of tender years who grow up with a sacred, if false, Puritan cult nurtured in their souls. To destroy that out of an alleged devotion to some abstract truth serves no useful practical purpose, besides laying one open to suspicion concerning the one hundred percent nature of his Americanism.

Having made of the Founding Fathers supermen it is difficult to portray them other than as noble men. But the proper teaching of history will destroy the fallacy of lauding the achievements of the past in order to minimize the necessity for accomplishments in the present.

It is necessary for the purposes of the present inquiry, to give some of the details which led to the banishment on religious grounds of Roger Williams and Mrs. Anne Hutchinson. We mercifully exclude all matters concerning the Salem witchcraft outbursts. Both these remarkable religious leaders were subjected to abominable persecution for their high-spirited convictions, and each separately was compelled to leave the colony. With a handful of faithful followers they succeeded in establishing colonies in what later became Rhode Island and Connecticut.[87]

Bancroft gives ample evidence of his intellectual integrity by his uncompromising opposition to Puritan intolerance. Coming from one whose work dominated the popular historical field for half a century, it is astonishing that the Puritan cult should have survived to this day.[88] There is no essential fact for which Hildreth is given as authority which cannot be found in Bancroft's work.

But it is remarkable to note what the same body of facts can be made to prove in other hands. "The effects of Puritanism," Bancroft writes, "display its character still more distinctly. Ecclesiastical tyranny is of all kinds the worst; its fruits are cowardice, idleness, ignorance and poverty; Puritanism was a life-giving spirit; activity, thrift, intelligence, followed in its train; and, as for courage, a coward and a Puritan never went together. It was in self-defense that Puritanism in America began those transient persecutions which shall find in me no apologist." [89]

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[86] Ibid., Vol. II, pp. 95-6.

[87] History of the United States—Hildreth, Vol. I, pp. 221-231, 243-5.

[88] History of the United States—Bancroft, Vol. I, pp. 282-372.

As for the courage of religious zealots, Bancroft admits, none surpassed that of the Jesuits. No people suffered more for their beliefs than the Jews, and have survived. For quite some pages Bancroft offers a most elaborate if unconvincing apologia for the Puritan theocracy. New England was a religious plantation, he argues. Religion was the object of their emigration, as it was their consolation. Hence those who destroyed their unity were enemies of the community and were dealt with rather leniently in view of the conditions then prevailing in organized society.

POSITIVE CONTRIBUTIONS OF PURITANS TO AMERICAN CULTURE

While Bancroft's thesis is of questionable merit, no one can deny the significance of the fact to which he adverts; namely, that within fifteen years of the establishment of the first colony in 1620, twenty-one thousand two hundred persons, or four thousand families had settled in New England. There never was afterward any considerable immigration from the mother country. By 1834, which is the year when Bancroft's first volume was published, their descendants in the United States numbered not far from four million, or one third of the population at that time.[90]

The harshness of its intolerance was beginning to pass away toward the end of the seventeenth century. One hundred and fifty years later it was all forgotten. But the virtues of Puritanism remained to bless a progressive society. Its general meetings, open discussions, popular voting, public school system, all were now the common heritage of an entire people. In due time they were to contribute the dogged determination and moral zeal of the abolitionist movement, and assist powerfully in removing that remaining blot upon our free institutions. From our standpoint we can well afford to glide over the limitations of the early Puritan governmental system for its solid contribution in the formation of our national character. Its intolerance was the product of its age and passed away with the measured progress of time, while its forward-looking ideological impulses were woven into the fabric of a developing society in the English New World.

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[89] History of the United States—Bancroft, Vol. I, p. 372.

[90] Ibid., pp. 375-6. Bolton and Marshall give somewhat smaller figures stating that by 1642, the population of New England was only sixteen thousand. See page 143 of Colonization of North America.

Town hall was the characteristic contribution of New England to the American nation. Though intended originally as a meeting place for prayer, it rapidly became the center of local life. The Church occupied an adjoining site around the commons. From interminable sermons and subsequent discussion by the congregation, it was but a step to the secular meeting hall where citizens repaired to listen to public questions presented by speakers, and then discussed by the audience.

Common problems dictated common action, first among themselves, and eventually between the colonists of New England. Pressure from the Dutch and Indians on the west and the French from the north suggested the advisability of co-operative action through the medium of a confederation which they called for in 1643. This eventually came about. The government of the New England Confederation was to be in the hands of eight commissioners, two from each of the four colonies.

Thus early we see the arising by stress of social forces rather than through individual design, of the pattern of the future nation. First, there is the recognition of the need for united action. Second, each colony is put on an equal footing, regardless of its wealth, area or population. Third, two commissioners are to represent each colony as an independent sovereign, requiring thus unanimity for concerted action. Meetings at first were annual, with occasional skips, then triennial, and finally ceased altogether. But the principle was established, and the possibilities of concerted colonial action over a period of time was observed with favorable reactions toward their reinauguration when the exigencies of a given situation demanded.

LOOSENING OF THE ENGLISH COLONIAL TIES

Among the factors which contributed toward the consolidation of colonial institutions both in the southern and northern plantations was the unsettled conditions in England between 1640 and 1660, from the time of the Civil War to the Restoration. Virginia was a royal colony, while Massachusetts and her offspring were governed by the provisions of their charter or by self-adopted constitutions. During the civil war Virginia remained loyal to the royal cause, while New England sided with the Roundheads, as was to be expected. Virginia had established herself as a typical aristocracy with large landowners who were members of the Established Church and entirely out of sympathy with a movement led by tailors, tinkers, brewers and butchers.

When news arrived that Charles I had been beheaded, the doughty governor of Virginia solidly supported by the aristocratic House of Burgesses defied the Commonwealth, to the point where an English fleet had to be sent out to reduce the obstreperous colonists. Eventually the matter was settled without bloodshed upon their formal recognition of the English government, but with the important concession that the levying of taxes was to be in the hands of its local authorities.

Whatever the other consequences of the civil war at home might be, Virginia received an enormous accretion to its numbers. In 1649 the colony contained about 15,000; in 1666 the population was estimated at 40,000.[91] These newcomers were Cavaliers who emigrated after the defeat of their cause, while large numbers of indentured whites, sympathizers with defeated royalty, came to escape the rigors of the new regime.[92]

THE PROPRIETARY COLONIES—THE PALATINATE PRINCIPLE

Another type of colony established was the proprietary, through the grant of vast tracts by the king to one or more proprietors. Such were the colonies of Maryland, Pennsylvania, the Carolinas, New Jersey and New York after the expulsion of the Dutch. The colony of New Jersey was granted by the Duke of York, the proprietor of New York, to two friends, Lord Berkeley and Sir George Carteret. Delaware originally was part of Pennsylvania, but was subsequently separated from it by the proprietor, under whose jurisdiction it continued to remain. Since it is not within the scope of our present inquiry to consider the details of colonial history, but to confine ourselves to the development of its political institutions, it will be profitable for us to consider why, no matter how diverse the nature of the colony's origin, all evolved essentially similar forms of democratic government—using that term broadly to differentiate it from the autocratic or aristocratic principle.

The leaders of the Massachusetts Bay Company under whose auspices the colony had made such conspicuous progress had transferred their company from Cambridge to New England as early as 1629 to escape the control of royal authority. "The mere physical fact of distance," wrote Fiske, "transformed the commercial company into a self-governing republic, which for more than fifty years managed its own affairs in almost entire independence of the British government. Difficulty of access and infrequency of communication were the safeguards of the Massachusetts Bay Company. If it had held meetings and promulgated its measures in London, its life would not have been worth a five year purchase. It had the fate of the Virginia Company for a warning, and most adroitly did it profit by the lesson." [93]

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[91] The Colonization of North America—Bolton and Marshall, p. 162.

[92] Fiske states somewhat different figures, giving the population as 38,000 in 1670, but likewise ascribing the increase to the Cavalier exodus. See Old Virginia and Her Neighbors, Vol. II, p. 16.

With typical enthusiasm, Fiske calls that the most fundamental circumstance in the early history of New England. A far more important matter, and certainly not so fortuitous, was the fact that New England was settled by Englishmen. From 1629 to 1684 when its charter was surrendered, Massachusetts was in all respects a republic. For it will be observed that no matter where Englishmen settled, and no matter how diverse their auspices all led to the same result; namely, in the establishment of popular government, as that was understood in their times.

Maryland illustrates this point exactly. It was granted to the first Lord Baltimore who was endowed with almost royal powers by the terms of its charter. The form of government was on the lines of a palatinate, which rendered it semi-independent, subject only to the payment of nominal rents to the king—in the case of Maryland it was two Indian arrows annually—in token of submission to his authority.

The palatinate principle was the basis for the organization of all colonial governments outside of Virginia and Massachusetts with her New England offspring. The pattern of its organization was that of the Palatinate of Durham established by William the Conqueror on the Scottish border in the form of a semi-autonomous frontier dukedom in the spirit of early feudalism. The Maryland charter had, however, one important limitation. The proprietor's free, full and absolute power was limited by the necessity of obtaining the advice and consent of the freemen of the province or their representatives convoked in general assembly, "the first provision in any American patent for securing to the colonists a share in legislation." [94]

Laws passed by the assembly became valid as soon as the proprietor or his representative had signed them, providing only that they were not repugnant to the laws of England. The proprietor in all other respects possessed the attributes of sovereignty. He could coin money, grant titles of nobility, create courts, appoint judges and issue pardons.[95] No taxes could be levied in Maryland by the English government. The control of the colony was hereditary in the family of Lord Baltimore, where in fact it remained for five generations after the founder, upon which it lapsed because of the termination of the legitimate line. While the claims of the heir out of wedlock were being considered by the English courts, the Palatinate of Maryland had become one of the states of the United States.[96]

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[93] Old Virginia and Her Neighbors—Fiske, Vol. I, p. 237.

[94] History of the United States—Hildreth, Vol. I, p. 207.

SMUGGLING IN THE PRINCIPLE OF RELIGIOUS TOLERANCE

Lord Baltimore was a Catholic at a time when those who gave greater heed to the promptings of self-interest than to the dictates of conscience made haste to abjure their faith, and embrace the religion where lay the safety of person and security of fortune. It was his hope to make that colony a refuge for the persecuted of his faith. But in the Puritan intolerance of the time to announce such a purpose would have been the surest way of defeating it. The terms of the original charter therefore were deliberately framed in broad measures of tolerance and religious freedom to all faiths. In this left-handed fashion was there established in the English New World one of the bulwarks upon which democratic society rests.

Fiske is fully justified in giving to Roger Williams and the colony of Rhode Island the imperishable honor of establishing religious tolerance as a matter of unyielding principle, where Lord Baltimore and Maryland employed those high-sounding generalities to cloak their very practical policy. The pragmatical historian who considers results, and not the factors which created them may contend that both colonies are entitled equally to whatever credit there lies in having championed the cause of religious freedom. But Fiske's method of apportioning glory is fully justified by history. For the record of human progress amply demonstrates that those achievements are most lasting which have their roots imbedded deeply in the human spirit; while those dictated by the permutations of policy are as evanescent as the superficial causes which gave them rise.

It is one of the ironies of history, as a consequence, that Maryland founded as a haven for Catholics, became the scene of the most despicable persecution of Catholics. Prudence, as well as political policy, had made necessary the opening of Maryland's fruitful acres to the settlers of all faiths. Soon three-fourths of its population were the ubiquitous Puritans.[97] It was not long before the gentle Puritanical spirit manifested itself in Maryland. In the province which they had founded, Catholics were disfranchised, while their social and political rights were cruelly invaded.[98] Mass might not be openly celebrated. Catholics were forbidden to preach and teach. Children who should renounce the faith of their fathers were to share immediately in his estate,[99] while papists had to pay double taxes.[100]

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[95] Old Virginia and Her Neighbors—Fiske, Vol. I, p. 270.

[96] Ibid., Vol. II, p. 173.

[97] Ibid., Vol. II, pp. 150, 337.

To the philosophical historian this impresses one of the profoundest lessons of history.[101] No social policy, no form of political organization, no official state ideology, is worth the paper it is printed upon or the breath with which it is uttered, unless it is the expression of a deeply imbedded social consciousness developed during the course of its history.

One has but to look about him to view the monstrous distortions of contemporary regimes once founded upon the loftiest principles of social idealism. The relative stability of human nature which this discloses is but another proof, if any were wanted, upon the correctness of our thesis that it is one of the independent variables toward which historic phenomena must be related. All these glittering formulas which periodically seize upon the imagination of those who would remake society out of hand must bring disaster and disillusionment in its wake unless the ground has been previously prepared in the spirit of a people. The prospects of success are so alluring, as are the fruits of victory to the advocates of those so enticing short-cuts. Our own history is replete with idealistic popular movements that swept vast masses into hysterical support, only to subside again into that reaction which inevitably succeeds the despair of defeat. Education may appear to be the slow and the hard way, but the slowest and the hardest way for social progress is that which is achieved first through infinite suffering and then by the process of trial and error, where the trials and the suffering are the usual burdens of the bewildered masses.

MARYLAND'S PERSECUTION OF CATHOLICS

As a consequence of the Revolution of 1688 which brought with it definite Protestant supremacy in England, the third Lord Baltimore, to his honor be it recorded, chose to remain faithful to his religious beliefs even at the cost of his hereditary rights in the government of Maryland. Ultimately the bourgeois Whig sanctification of the rights of contract prevailed over the Protestant intolerance of that time to the extent that while the governor was ejected, the proprietor was continued in his private rights and revenues. However, his son had no such scruples, considering no doubt that if Paris could be worth a mass to the Protestant Henry of Navarre when he foreswore his faith to assume the crown of France, the town of Baltimore and its adjacent provinces could be worth no less in the eyes of a Lord Baltimore.

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[98] History of the United States—Hildreth, Vol. II, p. 173.

[99] Ibid., Vol. II, p. 241.

[100] Ibid., Vol. II, p. 468.

[101] See Declaration of Maryland Protestants in 1689; "Narratives of the Insurrections"—Andrews, pp. 305-314.

It was during this period that some of the worst discriminatory legislation against Catholics was adopted. One recalls here the remark of Macaulay upon the peculiar malignity which has in all ages been characteristic of apostates.[102] Among them was the reward of one hundred pounds to any informer who shall convict a priest for conducting services, while the penalty for the offender was to be imprisonment for life. No Catholic could become a holder of real estate, nor could he take an oath in court, thereby depriving him of his legal rights. However, Catholics were taxed for the support of the Episcopal Church.[103]

"The Roman Catholics alone," wrote Bancroft, "were left without an ally, exposed to English bigotry and colonial injustice. On the soil which, long before Locke pleaded for toleration or Penn for religious freedom, a Catholic proprietary had opened to Protestants, the Catholic inhabitant became the victim of Anglican intolerance. Mass might not be said publicly. No Catholic priest or bishop might seek to make proselytes. No Catholic might teach the young. If the wayward child of a papist would but become an apostate, the law wrested from his parents a share of their property." [104] It is but fair to remind ourselves that wherever the Catholics had the upper hand, as in New Spain and New France they reciprocated in fullest measure their vent of primordial human bestiality through the medium of an exalted religious piety.

FEUDALISM AND REVOLT IN MARYLAND

While we must consider the admonitory consequences of bigotry, we should not lose sight of the more agreeable counterpart of the English nature. The Maryland form of government was intended to maintain the essential relations of feudalism as regards civil rights. The legislative body was composed of two houses, the upper representing the ruling family, and the House of Burgesses elected by the freeholders of the counties.

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[102] History of England—Macaulay, Vol. I, p. 95.

[103] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 165-9.

[104] History of the United States—Bancroft, Vol. II, p. 212.

Disputes between the two houses were intermittent, and at times violent. The burgesses insisted upon their political rights as Englishmen. In 1669 after the Stuart restoration the proprietor supported by the king, responded by putting forth a restriction on suffrage to those who owned fifty acres or more, or were possessed of personal property to the amount of fifty pounds.[105] A subsequent rebellion influenced by Bacon's revolt in Virginia resulted in the hanging of two of its leaders. After the turmoil was over and the people properly cowed, events in England following 1688 allowed for the release of that pent-up fury which manifested itself in anti-Catholic bigotry running the gamut of vindictiveness.

With the return of normalcy, and the apostacy of the fourth Lord Baltimore in 1715, the proprietary was re-established as an hereditary ruler, with power to be exercised in person or by a governor who acted as his viceroy. The upper house of the legislative body consisted of twelve persons all appointed by the proprietary. The House of Burgesses was composed of four delegates from each county, elected every three years by freeholders and others possessing property to the value of forty pounds.[106]

ANGLO-SAXON CONTRIBUTION TO THE AMERICAN SPIRIT

These details are incidental to the main issue. No matter what the temporary balance might be toward one side or the other, there is always the recrudescence in some form of the principle that men shall have a voice in the making of laws for their governing. Reaction might cow the people into submission, but never into acquiescence.

Some day, somehow, in a moment of weakness on the part of a strong ruler, or the softening of the fibre in his successors, the masses of Englishmen and those who grew up in the spirit of their thinking, would be found with arms in their hands, if need be, demanding again and again with that persistent and unalterable determination of the Briton character which would never be denied, the precious right of self-government. Not for others, but for themselves; not in the high-blown effervescence of temporary emotionalism, but in the calm deliberate purpose of men who were willing to bide their time, and await a favorable opportunity, but who would never foreswear their right to the sacred privileges of free-men. This is the essence of the Anglo-Saxon contribution to our American nationality.

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[105] Old Virginia and Her Neighbors—Fiske, Vol. II, p. 154.

[106] History of the United States—Hildreth, Vol. II, pp. 322-3.

ANOMALOUS FIGURE OF WILLIAM PENN

William Penn presents one of the most anomalous figures known to history. Macaulay draws a character which makes of the gentle Quaker who founded an asylum for his co-religionists, an active agent of James II, the bigoted Catholic ruler of England. There is scarcely a villainy which is not laid to his door, outside of murder; and that, Penn was supposed to have plotted on a wholesale scale through instigating Jacobite insurrections. He acted as intermediary for the favors of the king at a price. When cornered he lied, and when threatened he fled.

On this point H. H. Milman who wrote a memoir of Lord Macaulay has this to say: "Penn's double and conflicting character (assuredly no rare occurrence in history) must be viewed on all sides. In Pennsylvania, the wise, the Christian legislator, worthy of all praise, he was, in England, a vain busy man, proud of his influence with the king, who found it in his interest to flatter him, and unable to keep himself out of the miserable intrigues in that miserable court." [107]

FRAMEWORK OF PENNSYLVANIA'S GOVERNMENT

There is no occasion for us to enter into this controversy. Our only concern is with Penn as the proprietor of a vast tract bestowed upon him by James II in settlement of a money claim. The charter of the grant was drawn up on the same generous proportions as that of the Maryland colony. A legislative assembly was set up composed of two houses whose membership was to be selected by the freemen of the counties. But a provision was slipped into the frame of government providing that only the governor and his appointed council were to possess jointly the right of proposing laws. By this means Penn retained surreptitiously the power of veto which he had specifically disavowed for himself.

The Assembly soon engaged in a spirited conflict with the governor and the council for the right to propose legislation, and it was only after a long and protracted struggle lasting over sixteen years that a new "Charter of Privileges" was drawn up vesting in the legislative body the elementary right of proposing the bills upon which it was to act. "Thus came to an end," wrote Hildreth, "Penn's special scheme of legislation, by a council to propose and an assembly to ratify—a scheme, indeed, which has failed from the beginning, and which always has failed wherever tried." [108] The qualification for voters was a freehold or personal property of fifty pounds, while the government of Philadelphia was vested in a close corporation appointed by Penn, with perpetual power in themselves to fill vacancies.

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[107] History of England—Macaulay, Vol. VIII, p. XXVII written by Milman.

Quakers must have been either a most canny or a most ungrateful lot. They higgled upon the price of land, the quit-rents to be paid and the correctness of the survey by which they sought to obtain more than their bargain. When Penn offered to sell out his holdings, a memorial was drawn up by the colonists charging him with being a hard and exacting landlord, and having squeezed all he could out of them, proposing to sell them after first fleecing them.

It is needless to discuss the merits of their complaint. As a matter of fact, Penn did propose to cede the sovereignty of the province to Queen Anne for 12,000 pounds in hard cash, the grant he had received in payment of a nebulous claim for 16,000 pounds. But the hard-headed business man in making that offer took ample pains to reserve for himself the quit-rents and property in the soil.[109] In short, he offered to exchange his shaky sovereignty for the actual sovereignty the queen exercised by the very nature of her dignity while retaining its usufruct.

Meanwhile Penn had sold large tracts for cash at the rate of ten pounds per hundred acres, reserving for himself quit-rents in perpetuity. By 1755 the Assembly figured that these rents going as annual tribute to Penn's heirs amounted to 30,000 pounds in the currency of the province.[110]

TERMINATION OF PENN'S PROPRIETARY RIGHTS

All in all, Penn's ventures can be counted on the score of practical Quaker philanthropy, while the Quaker assembly played the role of congenital ingrate, insisting at the time when the total annual rent was being cast up on its right to tax the proprietary estates.

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[108] History of the United States—Hildreth, Vol. II, p. 207.

[109] Ibid., Vol. II, p. 246.

[110] Ibid., Vol. II, p. 466.

The assembly had gone a long way since the day when it first engaged in the struggle for the right to initiate the bills upon which it was to vote. Upon Penn's death a protracted law suit developed among the heirs, neither of whom possessed a spark of their father's genius. It is interesting to note that in 1779 during the Revolution the Assembly voted to end all the proprietary claims of the Penn family to ungranted lands or to quit claims. With exemplary scrupulousness, the heirs were confirmed in all their private holdings, and were voted in compensation the sum of 130,000 pounds which was faithfully paid over a period of years.

Thus by revolution, by confiscation and by compensation was terminated another perpetual right to quit-rents and to veto power. It is one of the ironies of history that on the eve of the Revolution John Penn, descendant of the great Quaker founder of the semi-royal dynasty, acting by virtue of his proprietary rights in Delaware,[111] vetoed an act passed by its Assembly which sought to prohibit the further introduction of slaves within its territory.[112]

THE PHILOSOPHER LOCKE'S WEIRD CONSTITUTION FOR CAROLINA

Carolina was granted by Charles II to a group of proprietaries among whom was General Monk who assisted so powerfully in effecting his restoration, and the Earl of Shaftesbury who was one of the celebrated statesmen of his time. It was he who obtained the assistance of John Locke in framing the famous constitution for the government of that territory out of whose amply extent later was carved six states of the Federal Union. At another place[113] we described in some detail the seigniories, baronies and manors created by the "Grand Model," with its hereditary nobility to the end of time, and its hereditary tenants attached to the soil and paying rent until the last Judgment Day. Unfortunately for these great barons and seigneurs, they neglected to create in the New World the social conditions which made feudalism possible in the Old. Even there it had practically disappeared in England, and was on the way out in France.

Prior to the promulgation of Locke's constitution some settlers from New England and the Bermudas had already established themselves in the northern part of the territory, called Albemarle. They

[111] History of the United States—Hildreth, Vol. II, pp. 570-1.

[112] Bancroft improperly minimizes the veto power exercised by the proprietary, in his penchant for exalting the heroes of the past, who were heroes simply because they were of the past; see his Vol. I, pp. 221-2.

[113] Historical Field Theory—Zucker, p. 71.

organized an Assembly composed of the governor, the council and twelve delegates from the freeholders of the incipient settlements. The colony council consisted of twelve members, six named by the proprietors and six by the Assembly.

While the colony was proceeding along the tenor of a self-constituted democracy of its time, the new constitution conceived by Shaftesbury and Locke was forwarded to Albemarle. There it met with the sternest opposition. Passive resistance at length broke out into open rebellion, complicated by the attempt made by a representative of the proprietors to enforce certain restrictions on trade and to collect revenues. "Having deposed and imprisoned the president and the deputies of the proprietaries," wrote Bancroft, "and set at nought the acts of parliament, the people recovered from anarchy, tranquilly organized a government and established courts of justice. The insurrection was a deliberate rising of the people against the pretensions of the proprietaries and the laws of navigation." [114]

In an affidavit of Thomas Miller, the agent of the proprietaries who was imprisoned by the colonists, the true bent of the insurrection is recognized when he denounces Culpepper, one of the popular leaders, as a man who deserved hanging for "endeavoring to set the poor people to plunder the rich." [115]

Similar experiences were encountered by the proprietaries in South Carolina. While the character of its population was aristocratic in outlook compared to the plebeian origin of its northern neighbors, nonetheless blue blood or red responded to the same urge for civil liberties. Hardly had the emigrants landed when a parliamentary convention was held. A colony council was organized consisting of five members selected by the proprietaries and five by the Assembly, which in turn consisted of the governor and twenty delegates elected by the people. When the Locke constitution was promulgated it met with the fiercest opposition of the people, while the wealthy, the men of delicate breeding and the gentle ministers of the established church were as enthusiastic in their support of that anachronistic form of government. The proprietary soon degenerated into a partnership of land speculators bent upon making a fortune in the quickest possible time, while the colonists watched intently for every opportune moment of weakness in the governing hand to enlarge upon their existing powers.

Few, if any of them, were versed in the abstract philosophy of government, but in their concrete actions they exemplified the truth of one of its profoundest maxims, namely, that no ruling class continues to function at the controls of the social organization in its own behalf when the material basis for its existence has been swept away. In England to this day we have an aristocracy administering the government, but it does not function in its own behalf. Lord Beaverbrook, the English newspaper publisher in answer to the current accusation that Britain is not a democracy but is governed by a clique of aristocratic families admits with commendable courage: "That is true. But it is an aristocracy of political heritage under the influence of a democratic vote, responsible to the voters, and required to pursue a course that meets with public approval." [116]

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[114] History of the United States—Bancroft, Vol. I, p. 505.

[115] Narratives of the Insurrections—Compilation of documents edited by Charles M. Andrews, p. 159.

The aristocracy of North and South Carolina did not grow out of its soil but was superimposed upon the existing population of English emigrants. Far from possessing the saving grace of a political heritage, every one of their acts was obviously dictated by sordid self-interest, and the popular reaction was keyed to the same pitch. Finally in 1693 Locke's "Grand Model" was formally abrogated by the proprietaries, while the governments of North and South Carolina settled down to the long-drawn out struggle between the rulers and the people under the terms of a pliable charter where advantage shifted back and forth in accordance with the temporary relative strength of the contending parties.

At last a pretext for challenging the authority of the proprietaries was found. With an acumen characteristic of popular organs conscious of their organized strength as against a small group with merely formal rights, the proprietaries were maneuvered into a position where in the service of their self-interest they were compelled to conflict with the rights of the Crown.

The particular circumstance was the vote of the Assembly to support with men and money the cause of England in its war against Spain in 1718. The hierarchy certainly was not .opposed to giving men, and they were willing to consent to money appropriations, so long as it would not affect their own revenues. The Assembly remained obdurate in proposing to raise money under the tariff act. This the proprietors vetoed. The Assembly with a great show of patriotic indignation denied the right of the proprietors to veto their acts. In this they were sustained by their constituents.

Finally the Assembly transformed itself into a revolutionary body, deposed the lord proprietors, and won to their side the support of the militia. In view of the circumstances, London supported its loyal colonists in this exhibition of exemplary patriotism, declared the proprietary charter forfeited, and sent out a royal governor. Ten years later Parliament voted 50,000 pounds to compensate the ousted palatinates, lord chamberlains, senechals and what-nots, and thus North and South Carolina became royal colonies on the issue of popular rights supported unwittingly by the sovereign power.[117]

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[116] New York Times, March 31, 1940.

GEORGIA'S PHILANTHROPIC APPROACH TO BASIC SOCIAL PROBLEMS

Georgia was the last of the colonies to be settled by emigrants from England. James Oglethorpe succeeded in enlisting the support of a group of philanthropists to provide a refuge for English debtors and discharged prisoners who were desirous of starting life anew in the New World. With the benevolent and financial backing of statesmen, merchants, clergymen and the trustees of the Bank of England, the Board of Trade in 1732 reported favorably to the king on a grant to the tract between South Carolina and Florida in the name of twenty-one trustees as the nominal proprietors.

It was to be a non-profit making enterprise. The free exercise of religion was guaranteed to all, including the Jews, but excepting papists. Actually a group of fifty Jews were sent out by their co-religionists and were hospitably received, forming the nucleus of those Southern Jews who have played such a conspicuous part in the history of that section. In accordance with the custom of those days in establishing the organum of government, all power was vested in the trustees for twenty-one years, after which the colony was to revert to the Crown.

Every precaution reasonable men could have devised for safeguarding perpetual prosperity against the inevitable defects of human nature was evident in the abstractly wise but unworkable provisions made by the trustees for the future welfare of their wards. Each family was to have a town lot with a five acre farm attached to the lot, and a forty-five acre farm further inland.

To prevent the monopoly of lands and assure that all males shall share equally, it was provided that land cannot be sold or the occupant dispossessed, in accordance with the feudal system of English law in that respect. As a further evidence of their humanitarianism the trustees forbade slavery in the colony as being against the gospel and the fundamental law of England. It is interesting to note that it was scarcely two years afterward that the 'better sort' of people in Savannah petitioned the trustees for the use of Negroes as slaves.

A group of German and Scotch sectarians were soon added to the colony. They were distinguished by their industry, thrift and sobriety, exhibiting a marked difference from the pampered English settlers who complained that they had been lured out to the wilderness to a life of hardship and privation. Despite this peevishness, very few colonists had the ground so well prepared for them as these broken-down English debtors and released prisoners.[118] It was from this element that there came those insistent demands for the introduction of slavery to free them from the arduous labors for which their delicate constitutions were unfitted.[119]

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[117] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 307-08.

In time their persistent efforts to shift upon other shoulders the labor intended for their own was crowned with success.[120] Of all the colonies at the outbreak of the Revolution, Georgia was least in the position economically and spiritually to aid in the common struggle.

One year before the allotted twenty-one granted by the charter, Georgia was surrendered by its trustees to the Crown. At the same time, a representative government was introduced, controlled by the planters and the wealthy merchants. Simultaneously with this apparent advance, the bars against slavery were let down. Twenty years later, on the eve of the Revolution Georgia counted fifty thousand souls, but there existed considerable doubt as to twenty-five thousand of them, since they were lodged underneath the skin of that many Negroes.[121]

Silk culture which had been introduced early where the skill and attention required for that industry called for the sustained attention of white men, had now lapsed for the growing of crude staple crops like rice and indigo. Of cities there were few. Education and culture declined. There were neither roads, schools, nor books. The torpor of a slave economy producing a staple crop had seized upon Georgia before it had had a fair chance to develop the refinements which at all times characterized Virginia life.

E. THE COLONIAL LABOR SYSTEMS

WHITE AND BLACK FORCED LABOR

We must now consider the labor systems which prevailed in the colonies. From the very outset with the founding of Jamestown the labor question loomed large in the annals of our history, as it has since the beginning of Civilization.

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[118] History of the United States—Hildreth, Vol. II, p. 371.

[119] History of the United States—Bancroft, Vol. II, p. 567.

[120] The Colonization of North America—Bolton and Marshall, p. 316.

[121] Old Virginia and Her Neighbors,—Fiske, Vol. II, p. 336.

The unctuous phrase would have it that it has been so since the beginning of man, but that is only a rhetorical gesture. Both anthropology and sociology afford abundant evidence of the physiological and social division of labor, but only toward the end of barbarism and at the beginning of Civilization does the question arise as to who should labor for the support of the rest. Man's productiveness, or rather the application of his intelligence to the processes of nature, had far advanced before any considerable leisure class could arise with claims upon a share in the products of others.

Slavery had been developed in ancient times with social systems adequate to that form of production. The history of Graeco-Roman civilization gives us abundant evidence of its fruition. Following the collapse of the Roman Empire feudalism was evolved in Europe; and the history of the Middle Ages revolves about that form of economic, political and ideological social structure. The entrance of the New World upon the stage of history was wrought by the operation of factors previously discussed which tended toward the dissolution of that form of social organization.

We have watched the transplanting of English institutions as they were then being evolved to meet the requirements of modern society based upon freedom and property. It may seem ironical that the development of freedom in America should be synchronized with the establishment of property in human beings. There is nothing anomalous in that. The society of that time considered that status as rooted in the very nature of things, just as the overwhelming mass of our people today see no contradiction in the private ownership of socially necessary means of production which has created a standing army of over ten million men and women who are chronically unemployed, unless absorbed in relief work or in the production of the implements of war. We accept this condition in the main as an unfortunate by-product of an economic system which we have been indoctrinated to consider as grounded in the immutable will of God and among the most glorious achievements of man.

A century from now our ancestors will be puzzled to invent a rational explanation upon why their progenitors acquiesced with such helpless resignation to a system of their own making which condemned an otherwise virile and intelligent people to a ridiculously low standard of living for half of its population, and to a state of nerve-wracking uncertainty for the whole of its population.

That will be only because the future generations in self-defense will have resolved the issue when once confronted with the unalterable choice of breaking through the vicious cycle of their present frustration or being overwhelmed within it. There is no question of what the American people will do once the issue is clearly defined in this fashion. But in accordance with the usual American pragmatical method, the issue will present itself thus clearly only after infinite and unnecessary suffering and privation.

So with the same quizzical expression do we consider the economic systems of the colonial days and ask ourselves whether the proud founding fathers and their forefathers had once consented to live in a state of semi-slavery as indentured servants, and even after the establishment of the Republic, as disenfranchised helots in the land which their blood and sacrifices had helped to make free. Beard emphasizes in accordance with his theory of economic determinism that colonial culture, "like the culture of every other age, was contingent upon the prevailing economic order, the modes of securing a livelihood, the disposition of classes, the accumulation of riches, the development of patronage and leisure, the concentration of population, and the diversification of practical experience." [122]

This is true as far as description goes, but it does not give the complete picture of the colonial social structure, since there is lacking the essential analysis of its social forces. His partial truth makes it even more dangerous than a complete error which is easily overthrown. For the problem still remains unanswered how and why the colonial economic order developed as it did, and whether or not other factors restrained and moulded the mode of production in accordance with its own laws of motion. It is impossible to understand the development of our colonial history unless we grasp the significance of its economic history as it was shaped and modified by the social institutions peculiar to the colonies.

SOCIAL STATUS OF THE INDENTURED LABORER

At the very threshold of our history we discover that of the one hundred and five men who embarked to found the first colony in Virginia forty-eight were "gentlemen" who esteemed manual labor as befitting only to a lower order of human beings. There were among the entire group but twelve laborers, four carpenters and a few mechanics, while the rest were common soldiers and servants.[123] Fiske gives a slightly different picture of their composition,[124] but

[122] The Rise of American Civilization—Beard, Vol. I, p. 122.

[123] History of the United States—Hildreth, Vol. I, p. 100.

[124] Old Virginia and Her Neighbors—Fiske, Vol. I, p. 96.

he is thoroughly in agreement with Hildreth when he states that Captain John Smith had to lay down the law to the dandies that "to eat, they must work." Their meager supplies were dwindling away, and the delicate hands of the genteel classes refused to wield the axe and make a clearing until the none too gentle admonition of their leader gave them no alternative.

Under his stern rule the colony prospered despite the fact that the new arrivals were generally of the same social composition as their predecessors. At one time Smith wrote to the directors of the London Company that it were better to send out thirty working men than a thousand gentlemen like the present colonists. In a few years, however, the labor problem was to be solved. Negro slavery was in the offing, while a new type of colonist was being evolved, the indentured white man.

There were several kinds of indentured servants, but whatever their origin the general result was about as follows: A merchant ship would arrive at a port with a cargo of white human freight. Planters and farmers had been previously appraised of its coming and were at the dock to look over the specimen. If everything was done strictly according to regulations the captain was in possession of a signed contract whereby his passenger, not having had the price of a fare, bound himself to the service of any who would buy the contract from the shipowner or agent. The fare usually amounted to from six to ten pounds, and half as much for children. This did not prevent their sale to some English, Dutch or German farmer or planter for ten to fifteen pounds.[125] Bancroft states that in times of labor stringency they were sold for as high as forty to sixty pounds.[126]

Whatever the price, that was the captain's individual good fortune. His human merchandise consisting of fellow white men, good Christians and Englishmen to boot, were exhibited with that shameless disregard for the decencies that characterized the Negro slave market of the not far-off future. After all, in this glorious world where the law of supply and demand and caveat emptor still rank above the laws of God, the buyer must at his peril make sure of the goods he is purchasing, for he will have no recourse save to his own good judgment.

"Those not thus disposed of," writes Gipson who adds the most recent fruits of scholarly investigation on this dismal phase of our history, "were led about the country until a purchaser could be found. 'It often happens,' declared a witness, 'that whole families, husband, wife, and children are separated by being sold to different purchasers, especially when they have not paid any part of their passage money.' And should a husband or wife die at sea when the ship had made more than half the voyage, the survivor was obliged to serve for the deceased as well as for himself or herself." [127] Such is the beautiful law of capitalist equivalence.

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[125] The British Empire Before the Revolution—Gipson (1936), Vol. III, p. 169.

[126] History of the United States—Bancroft, Vol. I, p. 138.

TERMS OF INDENTURED LABOR

But one would think that the passage money would soon be worked out and the redemptioner redeemed by his labor if not sooner by his Lord. The kind-hearted twentieth century reader is too prone to look upon a seventeenth century fact through the medium of his own prejudices. The planter bought the right to the servant's labor, regardless of the monetary transaction between the ship-owner and the contract purchaser. The length of its duration was fixed by law which the planter himself was instrumental in passing, interpreting and enforcing.

In the noble commonwealth of Massachusetts servants were to labor for seven years, and upon dismissal were not to leave "empty-handed" in the pious phrase of God-fearing Christians. Their humanity went so far as to provide that a servant maimed by his master was entitled to freedom and perhaps to recompense; but on the other hand, any infraction of discipline, of which the master was to judge, was punishable by extension of their service.[128] A similar beneficent rule prevailed in New York.[129] Indentured servants were seldom held more than seven years, and often five years, by the terms of the statutes.

As a consequence of the chaotic conditions prevailing in Germany at that period thousands of peasants from the Rhine areas were driven to migrate to America, but due to their poverty they sold themselves to service for the price of passage. A number of them, over three thousand, were settled by their purchaser, one Hunter, as a speculation along the Hudson and in Pennsylvania.

These thrifty and stolid sons of the soil could not but compare their situation with that of the free settlers around them. They resorted to what in modern terminology would be a slow-motion strike. With dogged determination this struggle was kept going on both sides, with much suffering and privation among these white

[127] The British Empire Before the American Revolution—Gipson, Vol. III, p. 169.

[128] History of the United States—Hildreth, Vol. I, p. 277.

[129] Ibid., Vol. II, p. 48.

slaves until the end of the indenture period. Once having gained their freedom, these Germans settled along the Valley of the Schoharie or what is known today as the German Flats. Working for themselves they became the industrious farmers of old, and soon their community ranked among the most prosperous in New York and in Pennsylvania.

CONDITION OF LIMITED-TERM WHITE LABOR

Beard is very justly critical of historians who invariably sidestepped an unpleasant issue like the treatment of indentured labor.[130] At the same time we must guard ourselves against the muckraking spirit which delves into the seamy sides for the sheer joy of reveling in its woes. No one can read of the fate of those unfortunates without feeling a burning resentment against what the poets denounced as man's callous disregards of the rights of his fellowmen. But it is so easy to work up a virtuous indignation about the wrongs of the past while remaining utterly impervious to the patent social wrongs of the present.

Such cheap virtue is simply a mawkish infatuation with one's alleged finer sensibilities, which permits one to weep copiously over the sufferings of a bygone age and thereby justifies one in being blinded to the actual injustices of the present age. The lot of the indentured servant must be gauged by the social level of their own times, and few indeed are those who possess that true nobility of spirit which raises them above the deadening level of their times.

Bolton and Marshall estimated that probably one half of the immigrants to America before the Revolution were indentured servants,[131] a judgment to which Beard subscribes with the addition of slaves. As early as 1670, Bancroft admits, one fifth of the adult population were indentured whites,[132] and that was before the deluge had set in.

There are some who can excuse the white man's superior attitude toward those of another race, but it is quite difficult to account for that callousness in human nature which makes one consider with cold, even calculating indifference the oppressive condition of people who are of one's own blood, speech and religion. Gipson tells of Jamaica planters, themselves but insignificant upstarts, who manifested toward their fellow whites who had previously been indentured a haughtiness which would have shamed a medieval Romanoff.[133] Our distinguished forefathers might have economized upon the haughtiness, but they did not spare the lash, nor mitigate a tittle of the provisions in the bond.

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[130] Rise of American Civilization—Beard, Vol. I, p. 103.

[131] The Colonization of North America—Bolton and Marshall, p. 336.

[132] History of the United States—Bancroft, Vol. I, pp. 527-8.

Anyone guilty of the "stealth of oneself," which was the unlawful departure of a servant without consent of his master or mistress, was guilty of an offense punishable by death, in the early laws of Maryland.[134] Even as late as 1750 the restrictions on their movement placed them on the same level as Negro slaves.[135] They were kept in such a state of poverty and ignorance that after their redemption had been achieved upon the expiration of their service, they sloughed into a hopeless social mass which has continued down even to this day as the poor whites of our magnificent South.

When poor times hit Massachusetts in 1630, two hundred of these indentured servants were let loose to shift for themselves, thereby relieving their masters of all responsibility, while the unfortunates were left totally unprepared to face a cruel situation with no resources of their own.[136] These God-fearing Puritan masters no doubt did this with many an unctuous phrase upon the nobility of their deed; but while they let their human charges out to shift for themselves, they prudently held on to the cattle which represented a substantial monetary investment.

WHITE SLAVERY AS PUNISHMENT FOR POLITICAL OFFENSES

Poverty in the eyes of many is the stigma stamped by society upon the incompetent, but many a man sold into white slavery was only the victim of political misfortune or the vicissitudes of the battle-field. Macaulay gives us in graphic outline a picture of the Bloody Jeffreys at his Assizes condemning eight hundred and forty-one political offenders to be carried beyond the seas as slaves. "It was estimated by Jeffreys," Macaulay wrote, "that, on an average, each of them, after all charges had been paid, would be worth from ten to fifteen pounds. There was therefore much angry competition for grants. Some Tories in the West conceived that they had, by their exertions and sufferings during the insurrection, earned a right to share in the profits which had been eagerly snatched up by the sycophants of Whitehall. The courtiers, however, were victorious."[137] Those unfortunate Britons who survived the foul passage finally arrived in the West Indies—those whose carcasses had not been fed to the sharks—but in such a miserable condition, that the merchant to whom they had been consigned had to fatten them before selling them.

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[133] The British Empire Before The Revolution—Gipson, Vol. II, p. 243.

[134] History of the United States—Hildreth, Vol. I, pp. 212 and 342.

[135] Ibid., Vol. II, p. 428.

[136] Ibid., Vol. I, p. 189.

KIDNAPPING FOR LABOR IN THE COLONIES

But that was not all. So great was the demand for labor in the colonies that the horrible trade of kidnapping developed into an organized business. Men, women and children were snatched on the streets under the protecting cover of darkness.[138] Some were entrapped[139] in a friendly drinking tavern or lured by varied devices to lonely spots where they were rendered unconscious and carted off like bundles of hay to a distant port.[140] In Germany some pious bellwether was used as a bait.[141] The great Cromwell and the Puritans of England who were then in the hey-day of their power did not hesitate to drive into perpetual servitude their Irish prisoners whom they condemned to certain death on the plantations of the Barbados.

So avid was the search for exploitable labor that it shrunk not from the threshold of the home nor before even the altar of the Crucified. Man's brutality to his fellows will condemn or condone as suits the occasion, while others will exploit so that they will have leisure to offer prayers for the beneficence of God. Few, if any, droning preachers of any faith were heard to raise their voices to Heaven in mighty protest, any more than they do today before the glaring social injustices which obtrude everywhere before their very eyes.

Only in Providence, Rhode Island, to where Roger Williams and his so-called heretics fled was slavery in the white skin forbidden together with slavery in the black. By a statute enacted in 1652, but valid only in that town, both black and white labor were placed on an equal level of servitude for a limited period, after which full freedom was to be their lot; this at a time when both Connecticut and Massachusetts countenanced slavery for both.[142]

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[137] History of England—Macaulay, Vol. II, p. 253.

[138] Rise of American Civilization—Beard, Vol. I, p. 104.

[139] Old Virginia and Her Neighbors—Fiske, Vol. II, p. 177.

[140] History of the United States—Hildreth, Vol. I, p. 509.

[141] The British Empire Before the American Revolution—Gipson, Vol. III, pp. 166-7.

[142] History of the United States—Hildreth, Vol. I, pp. 372-3.

DEPORTATION FOR SLAVE LABOR OF SO-CALLED CRIMINALS

Virginia had not been established ten years when its planters seized with alacrity an opportunity to secure cheap white labor in the form of convicts deported to the new land. For over a century thereafter a steady stream of these unfortunates was spewed forth from the unspeakable jails of England to the virgin shores of America, principally to Maryland and Virginia.

It is needless at this late date to sentimentalize upon crime and criminals. There is many a red-blooded man now walking the streets with head high and spring in his step who but for a lucky break of fortune would have been branded as a criminal for some offense in the eyes of hypocrites who draw their skirts around their own shortcomings. If in these times there is so often but a hairsbreadth between so many respected citizens and the convict's brand, what shall be said of the seventeenth and eighteenth century when to eat a rabbit from my lord's estate was enough to send one to the gallows?

Some delicate historical souls hasten to defend their commonwealths from the bitter reproach that a large proportion of the population are the descendants of convicts. We are confirmed that the greater reproach lies against those that impugn the character and integrity of their forbears who were the tragic victims of a cruel social system with its despicable judges, its fiendish laws and its inhuman punishment.

There is a vast distinction between the convict and the criminal, for many of the noblest spirits the human race has produced can be counted among the former. Nonetheless the labor of these convicts was avidly sought for, and the stigma which was attached to them merely rendered their exploitation cheaper and surer. Small planters particularly who could not afford the price of Negro slaves haunted the market for labor which was bound to be more intelligent and equally as docile under the heavy penalties imposed for infraction of the severe regulations established for their control.

The question has been raised as to what was the effect of this infusion of convict labor upon a free people. The apologists, in the form of official historians, answer triumphantly, there were no ill effects. Why? Because the "stamp of infamy" was so universally impressed upon them, they reply, that when their period of service was over they went away as far as they could to a place where they were unknown, and where that accursed pressure which kept them down deliberately from the status of their fellowmen, could no longer be exerted to deprive them of their God-given right to labor for themselves and those whom they loved.[143] The harshness to which they were subjected was merely the pretext to break their will and discipline them to their tasks.

FEAR OF WHITE SLAVE REVOLT AMONG PLANTERS

Men of such determined nature could not be expected to bend supinely before their yoke. Planters lived under the constant fear of a revolt among their black and white slaves. Such a conspiracy actually was on foot among the indentured servants; but betimes one of those involved betrayed his confederates. So great was the alarm, and subsequent relief, that the Virginia Assembly in 1663 voted to observe September 13 as a perpetual holiday in memory of their fortunate escape from the horrors of a servile insurrection.[144]

Bancroft two hundred years after the event is inclined to minimize the episode, with the statement that their servitude could not have been a hard one since the facility of escape compelled humane treatment on the part of their masters.[145] In this there is evident the shrewdness of the statesman rather than the keenness of the historian. For if escape were altogether so simple a matter, it is strange indeed that any indentured servants remained. In fact the severest restrictions upon movement and control over the person were imposed for just such eventualities.

No one could leave the colony without a pass subscribed by a court.[146] A fugitive law was in effect, under which escaped servants could be pursued by hue and cry at public expense, and a run-away thus returned was subjected to the harshest penalty. The gazettes of those days contained notices with descriptions of the fugitives and suitable rewards for their return.

Typical among them is the following in brief: An Irish servant maid of middle stature with an old black coat; "it is supposed there is an Irishman gone with her," and the finder is offered three pounds reward, together with reasonable charges paid by the master. This deluded wench had probably gone off with her lover, without blessing of either master or clergy!

Of another kind is the following in full text: "Taken up, about 6 months ago, as a Runaway, and now is in Trenton Gaol, one John Parra, a well set Fellow, about 24 Years of Age, and pretends to know something of the Hatter's Trade. If no Person claims him before the first day of May next, he will be sold for defraying his Charges. By Order of the Court. William Brown, Under-Sheriff." [147]

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[143] The British Empire Before the American Revolution—Gipson, Vol. II, pp. 92-102.

[144] History of the United States—Hildreth, Vol. I, p. 519.

[145] History of the United States—Bancroft, Vol. I, p. 528.

[146] History of the United States—Hildreth, Vol. I, p. 344; Vol. II, p. 48.

An eye-witness reports the following scene upon the arrival of a cargo of white slaves: "As soon as the ship is stationed in her berth, planters, mechanics and others, repair on board; the adventurers of both sexes are exposed to view, and since very few are happy enough to make their own stipulations, some very extraordinary qualifications being absolutely requisite to obtain this distinction; and even when this is obtained, the advantages are by no means equivalent to their sanguine expectations. The residue, stung with disappointment and vexation, meet with horror the moment which dooms them, under an appearance of equity, to a limited term of slavery. Character is of little importance; their abilities not being found of a superior nature, they are sold as soon as their term of election is expired, apparel and provision being their only compensation; till, on the expiration of five tedious laborious years, they are restored to a dearly purchased freedom." [148]

FARCE OF HISTORY AS TAUGHT IN TEXT-BOOKS

All this may be discouraging to those among us who have derived their conceptions of the early American past from what passes as history in our schools. Nor need one's disillusionment be necessarily too severe, if one develops the healthy outlook that people in those days accepted that situation as one of the realities of existence about which nothing much should or could be done; and very few indeed then considered indentured service as anything but fair and equitable to all concerned, just as we do today unemployment, crises and war.

Concepts of morality must be viewed in their historical setting. The labor problem in the colonies was a very severe one for the owners of large estates, as well as for small planters. George Washington typified the noblest among the Southern planters of his day, and we find him arranging to import German settlers under indenture to reimburse himself for every expense, with interest, incurred for their transportation and support; and thus concluding: "I must, for my own safety, consider them as jointly bound for this payment, till the expiration of the indentured terms, otherwise I must be an inevitable loser by every death or other accident; whilst they cannot, in the worst light, be considered as more than servants at large during the indented term." [149]

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[147] American History Told by Contemporaries—Hart, Vol. II, pp. 300-1.

[148] William Eddis, Letters from America, quoted in Hart's Contemporaries, Vol. II, p. 310.

Maryland was the largest user of indentured labor, both of the redemptioner and the free-willer type; [150] the latter being whites who under the stress of economic adversity were compelled to barter their inalienable freedom for the maintenance of the person, unable otherwise to enjoy it. Some did so under the necessity of obtaining cash with which to purchase a farm; for no matter how abundant land is, it is soon engrossed by private individuals under various pretexts of right, all perfectly valid according to the law of the sovereign, and the fact that they could not use it themselves was no reason why they should allow others to do so without paying for the privilege. The same legal documentary form which entitles the modest farmer to his few acres entrenches the large landowner in his principality. In the wilderness which was the New World, private stakes soon marked off the land upon which trespassing was strictly forbidden, without the payment of a price; a very high price for those days.[151]

It is another of those ironies of history—in the eyes of romanticists—that the poor settlers of Georgia, themselves the objects of philanthropic concern to Oglethorpe and his associates, soon cast around for others more unfortunate than themselves upon whom to shoulder the burden of their labor; and having tried white servants indifferently, were soon goaded by the example of the South Carolinians across the Savannah to throw their scruples to the wind and introduce Negro slavery in a commonwealth whose original charter had strictly forbidden it.[152]

F. Significance of the Southern Plantation Economy in American History

FARMS VERSUS PLANTATIONS

Historians have noticed the fundamental distinction between the economy of the northern colonies as contrasted to that of the southern colonies which may summed up in a single phrase, farms versus plantations. The farm is a small unit, capable of cultivation by the owner and his immediate family, together with whatever other help he might employ; whereas the plantation must be a large tract requiring the labor of numerous hands, where the labor of the proprietor himself, should he so demean himself, would be indistinguishable from that of the meanest of his servants, or slaves.

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[149] George Washington, Writings; edited by Jared Sparks; quoted in Hart's Contemporaries, Vol. II, p. 311.

[150] History of the United States—Bancroft, Vol. II, pp. 212-13.

[151] The British Empire Before the Revolution—Gipson, Vol. III, p. 170.

[152] Ibid., Vol. II, pp. 207-8.

This very statement instantly exposes the great divide between the northern and southern colonial economy. In the north, the farmer, his wife, his children and the hired hands pitch in without discrimination whenever the exigencies of the occasion requires their intervention; while a southern planter would sooner see his crop rot and his house fall about his ears than engage in menial labor fit only for a lower order of beings.

Our modern intelligenstia who a few years ago were accustomed to bandying Marxian phraseology because it was the proper thing to do, used to speak of the relations of production with quite a knowing air which stifled any further attempt at cross-examination. Yet the relations of production as they existed in colonial times is the key to the understanding of English colonial society, and consequently its history.

At this point of our investigation it is needless to refute again the unbelievable cretinism which makes the economic conditions the sole, or even the principal moving factor in society. We have discussed fully the inter-action of the state apparatus and the ideology together with the economy which all enter into the formation of an historically determined social structure. But since it would be rather inconvenient to begin every segment of an analysis in the spirit of the Good Book with its formidable list of begats, we will begin quite empirically by taking a society as we find it; though unlike the pragmatist, we will soon be engaged in a determined effort to discover the secret of its organization and the laws of its internal motion.

Nevertheless we would be derelict in the performance of a duty to science did we not at the outset pay tribute to the genius of Marx who emphasized that the sum total of these relations of production constitute the economic structure of society—the real foundation on which rise its legal and political superstructures.[153] It is also important here to note the profound truth enunciated by Hegel that mere quantitative differences bring about qualitative changes. To the intelligentsia all this, quite obviously, is nothing but dialectical persiflage, but if they would examine closely colonial society they will discover that the mere difference in the number of hands employed on the land made all the difference in the world between a farm and a plantation. But that was not all; the status of the hands determined the character of the economy.

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[153] Critique of Political Economy—Marx, p. 11.

THE RELATIONS OF AGRICULTURAL PRODUCTION ON FARM AND PLANTATION

A northern farmer might be wealthy enough to free himself and his family from the necessity of labor. But such a farmer was indeed a rarity. There was no all-impelling necessity which kept his laborers forever tied to his soil; the indentured would eventually win their freedom, while his grown children would want to leave and settle down to lives of their own. New England therefore was distinguished by the comparative smallness of its farms, and the independent husbandry to which it gave rise. Only in certain sections of Rhode Island in the whole of New England were plantations in existence, and characteristically enough their form of organization was on the aristocratic principle with my lord in his manor surrounded by a large body of slaves.[154]

Furthermore, farm economy because of its ownership operation is more diversified in its crop production because of the greater initiative that mode of husbandry called forth, and the direct relation which generally subsists between the intensity of cultivation and the size of the return. Intelligent application of labor is the rule in such a case. The land is protected against erosion, crops are rotated and diversified, and home industry is developed to a high degree of self-sufficiency. Plantation economy, on the other hand, employs the most brutalizing kind of labor, that of the slave.

Leaving out for the moment that hybrid form of plantation labor presented typically by Maryland with its great mass of convict labor and indentured servants, the real plantation is distinguished by the planter depending upon the superintendence of an overseer who is rewarded by how much he can get out of his Negroes. The very system puts a premium upon mechanical repetition of simple processes. Hence plantations are characterized by a single staple crop, which the Negroes are taught to cultivate with the least amount of individuation essential to producing the largest amount of economic return.

This is the essence of a slave economy. It seizes upon the best, the most fertile land which nature had rendered thus by thousands of years of gradual accumulation of its surface richness by decomposition of vegetation. The uncouth and brutalized ploughman scrapes its surface and receives in return a bountiful crop of some staple like tobacco. Inside of three or four years the soil is exhausted. Rotation of crop is unnecessary and uneconomical under the circumstances. Another clearing is made further on upon the extensive domains of the planter. And so the process is repeated.

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[154] The British Empire Before the Revolution—Gipson, Vol. III, p. 58.

Rain and flood wash away the fruitful topsoil because of mishandling; the barren sand is exposed, and again another clearing must be made. Thus early we see the restless urge for the Southern planters expanding his domain—this constant searching for new lands further on to exploit and to waste away the bountifulness of nature in the same prodigal fashion.

So, too, did the scions of New England fathers move westward, but it was to open up the virgin soil to create new farms for themselves. The southern planter sought plantations for his slaves. So they ran their parallel courses for two centuries, until the two met when the currents crossed longitudinally in that irrepressible conflict which abolished the curse of chattel slavery in America forever.

THE MATERIAL BASIS FOR CHATTEL SLAVERY

That slavery did not develop in New England was due not so much to the perfection of Puritan character as to the imperfection of New England soil. The Massachusetts General Court in the Fundamental Code adopted in 1641 specifically made provision for slavery, finding therefore justification in the Mosaic principle that slavery is "lawful for those captives taken in just wars, and such strangers as willingly sell themselves or are sold unto us, and these shall have all the liberties and Christian usages which the law of God established in Israel requires. This exempts none from servitude who shall be judged thereto by authority." [155] The same article gives express sanction to the slave trade, and the practice already developed of holding Negroes and Indians in perpetual bondage.

History does not record any struggle which man has carried on with greater pertinacity than for the privilege of exploiting his fellow man. It may have been cloaked under the guise of empire, the lust for glory, the purity of milady's virtue, the dignity of the church or the interpretation of the Holy Word, yet beneath all its coverings there has invariably been a central core of the right to the exploitation of labor. It is unnecessary to caution against erecting this proposition into a universal dogma, for it would not be true. When man has not yet developed to the point of producing by his labor more

[155] History of the United States—Hildreth, Vol. I, p. 278.

than he requires for his own subsistence, there would be no point in subjecting his labor to another's will. It is the right to surplus labor which is the basis of our social institutions as Civilization has developed them over its long span.

One might point to exceptions, or such they appear to be, until they are subjected to further analysis. So, for example, one might cite the Jesuits, during the early history of North America. No one can charge them with engaging in their extraordinary activities for purposes of gain; but by the same token, no one can dissociate them from that vast complex called the Catholic Church of which they were at the time both the end organs and the prop.

But general propositions must be related to specific events. The most fundamental property right over which men have fought is the right in the labor of another. The Roman conqueror exacted tribute from those whom he reduced to his sway. The feudal lord had his rights in the fruits of the soil produced by his serfs. The modern capitalist fought bitterly against any interference with his right in the labor of the worker whom he hired by the day. The history of the working day, with the conditions under which labor was to be performed, would form of itself a compendium of the development of capitalism.

So to this very day this struggle goes on. Any interference with capital's inalienable right to the unlimited exploitation of labor is considered as an assault upon the very foundations of property rights and of society itself. In truth, so it is. When the Supreme Court in a current decision upheld the National Labor Relations Board in ordering a steel corporation to pay its workers $5,000,000 in back pay because of a strike caused by the employer's defiance of the labor act, capitalist apologists wrung their hands in piteous lamentation over this horrible threat to our civilization.[156] Thus was it in the glorious days of the colonial forefathers—particularly of the Southern plantation branch. The right to the uncontrolled, unlimited labor of the slave constituted for him the very essence of society, religion, and civilization itself.

CIRCUMSPECT TREATMENT OF SLAVE ECONOMY BY CLASSIC HISTORIANS

Few matters have caused classical historians greater discomfort than the attempt to reconcile the contradictions of the Declaration of Independence with the obvious facts of its contemporary times;

[156] Editorial in New York Times, "With Back Pay," April 10, 1940.

or the fact that both Washington and Jefferson owned slaves; or that markets for the sale of human beings existed for many long decades within the shadow of the national palladium, the Capitol itself. Contradictions are merely logical, not historical difficulties.

The New England Puritan was no more averse to compelling human beings to work for him than was the Virginia Cavalier; the actual conditions of life resolved the issue for both of them, and neither encountered much difficulty in arranging moral, legal, ethical and Scriptural authority for one course or the other. The delicately-nurtured of the present day who raise the whites of their eyes to the Almighty while they heave virtuous sighs over the slavery of the past, would be among the first to applaud rapturously the proposal to send out the National Guard and beat strikers into submission for venturing to struggle against the slavery of the present. Of course their injured souls will mutely protest against the characterization of the present economic order as based upon a form of slavery, but the Supreme Court, particularly in its affirmative decision upon the validity of the Wagner Labor Relations Act, has expressed itself with extraordinary feeling upon the inequality of organized wealth on one end of the economic scale as against disorganized poverty on the other. As far as the masses of our people are concerned, their changed moral concepts have always followed the transformation of society's sub-structure. Only the great leaders of mankind have had the vision and the courage to proclaim the dawn before the new day. We are unstinting in our praise of them, provided they pertain to the past. Our forefathers generally consigned the visionaries of their day to the stake or the gallows, when they did not perish first from hunger and neglect.

LORDLY LIFE ON THE PLANTATIONS IN THE SOUTH

Colonial plantation economy offers the key to our subsequent sectional history down to this very day. It is astonishing how such modern writers like Marshall and Bolton can dismiss this feature of colonial history in the eighteenth century with a scant three pages [157] while hundreds are devoted to personalities and incidents which have no earthly interest to anyone except to the examiners through whose purgatory the hopeful student for an academic degree must pass.

That plantations did not make Cavaliers, but Cavaliers naturally took to plantation life is one of the facts of history. So for that matter

[157] The Colonization of North America—Bolton and Marshall, pp. 335-9.

did many Puritans, but they could not remain such very long. Such mode of life was against the perpetuation of that breed.

Nor could one uphold his end without the financial resources. To people for whom the genealogy of an animal or a bird is a matter of deep significance, we can imagine the importance attached to the breeding of human stock; but only insofar as descent was concerned. Religion was a tradition and not a belief. The poorest type of Episcopal parson in England was considered too good for the colonies, and those who came were among the shoddiest of the specimen.[158] However they seemed to fit in splendidly with the aristocracy among whom they were cast.

Fiske, the Spencerian philosopher and historian, pays the early Virginians the unusual tribute of being careless concerning their ancestry, but he assures us that with the broader scientific approach of the present day, the importance of such matters is better appreciated. "Far more important, for the student of human affairs, are the pedigrees of men" is the startling conclusion of this genial historian. "By no possible ingenuity of constitution-making or of legislation can a society made up of ruffians and boors be raised to the intellectual and moral level of a society made up of well-bred merchants and yeomen, parsons and lawyers. One might as well expect to see a dray horse win the Derby." [159]

All values are relative; one might as well expect a Derby winner to plow a field to grow wheat with which to feed our noble philosophers enamored with the sociology of the Darwinian era. As to the well-bred categories of whom Fiske speaks so highly: the merchant was non-existent in Virginia; the modest yeoman was compelled to hie to the mountains by the economic pressure of the plantation owners; the parsons were far from a prize lot by his own admission; while he also admits the lawyers were not held in high repute during the early days.[160]

All of Fiske's subtile reasoning is not worth a farthing, as is his labored attempt to prove the noble-born Virginian, Madison, of a higher calibre in the making of our constitution than the not so highly-born Hamilton.[161] The fact remains that Virginia was a stagnant and unprogressive society by the very structure of her social organization.

The progressive role Virginia played in the revolutionary struggle was that of a subsidiary to the dynamic influence of merchant capitalist economy as it developed in New England. If that role be puzzling to the crude economic determinists of today, let them consider the role of the Bourbon South in helping put through the progressive social policies of the present-day New Deal.

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[158] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 261-3.

[159] Ibid., Vol. II, p. 26.

[160] Ibid., Vol. II, p. 26.

[161] Ibid., Vol. II, p. 254.

WHY THERE WERE FEW TOWNS IN THE SOUTH

Every commentator on the plantation colonies is impressed by the absence of towns. Gipson dismisses this problem with the observation that the cheapness of land and the ease of river communication led to the dispersion of population where a man could easily become a landowner living independently, instead of as an artisan depending upon the vagaries of trade.[162]

But this is no answer, since the fact remains that whites who had money did not dream of becoming merchants or artisans, and artisans without money could not aspire to becoming landowners on a Virginia scale. Besides, cheap land was not unknown in the North with its many thriving towns. The social conditions necessary for a town economy were lacking in the South.

What were those conditions? First a society in a state of flux, with an independent citizenry engaged in matters of their own concern. There must be a class of producers, an exchange of products, and a universal medium for effecting that exchange. There must exist the opportunity for free enterprise and the regulation of their own affairs by those deeply concerned in the processes of social intercourse.

All these things were lacking on the plantations. The top rank of the social hierarchy were not producers; they were the recipients of the products created by others by virtue of their legal relations. Labor was scorned as something fit for Negroes, indentured servants and poor whites, and not for those whom God had created as fine ladies and gentlemen. Now on a bathing beach where all are decked out in nature's finery, it is very difficult, if not impossible, to differentiate between gentlemen and the hoi polloi. (That is why they use different beaches.)

Therefore the first distinguishing mark of one of the Lord's annointed is his freedom from the necessity of back-breaking toil in order to develop those refinements which make for a superior brand of men. Fiske devotes ninety pages of Chapter Fourteen in volume two of his amiable dissertation upon society in the Old Dominion to describe these products of natural selection according to the Darwinian formula of which he was such an outstanding champion.

[162] The British Empire Before the American Revolution, Gipson, Vol. II, pp. 17-18.

What with fox-hunting, horse-racing, gambling, drinking and strutting at gala occasions, there was time for little else that was befitting a gentleman. The manor was the center of all life, the mainspring which transmitted impulses to every corner of the limited domain over which the seigneur ruled with lordly hand. All real problems of management were left to an overseer; for the rest, where each lord is an equal, no one is willing to pay court; and since no sovereign could command attendance at his capital city, no such city need exist. But life on the plantations was rapidly driving the aristocracy to dry rot.

EFFORTS TO CREATE TOWNS BY LEGAL FIAT

Virginia made strenuous efforts to create towns by law,[163] but neither drawings nor bounties could create that for which there was no economic need, though there did exist a crying social necessity. Up to 1750 Williamsburg could not boast of two hundred houses, including the shacks of Negroes, despite the fact that the Assembly met there, and that it was the seat of Wiliam and Mary College.[164] Laws were passed establishing a town in each county, but the laws neglected the all-essential element of creating the social conditions which would support a town. The life-blood of a town is free men, independent industry, and the exchange of commodities by equals. No town could thrive where every manor was a social, an economic and a political self-sufficing entity.

All this was excellent for breeding a fierce spirit of independence, that is, in so far as it appertained to the planter. On each plantation there existed a country store. Sometimes it served as a source of supply for some neighboring plantations. But the moving spirit in the enterprise was the planter or his agent. There was no real buying and selling, only trading. The merchant ship which docked at the planter's wharf took his cargo of merchandise ashore and received in return hogsheads of tobacco. Despite the Assembly's desire to make Jamestown a central depot for the storing of goods, even to the point of adopting stringent laws for that purpose both shipowner and planter found it convenient to disobey its provisions, and to do business directly at the planter's wharf.

Each plantation produced for its own requirement by the skill of its own artisans its dwellings, barns, stables, shoes for the common

[163] Old Virginia and Her Neighbors—Fiske, Vol. II, p. 211.

[164] The British Empire Before the American Revolution—Gipson, Vol. II, pp. 18-19.

herd, and all the rest of their necessities. As for the dainty folk of the manor, all their delicate needs were supplied from abroad. Since the price of tobacco was established by highly speculative factors "no one could estimate from one year to another, with any approach to accuracy, what the purchasing power of his income was going to be. The inevitable results of this were extravagance in living and chronic debt." [165] This was induced by the system of open accounts in the houses of London merchants to whom most of our aristocratic planters were soon heavily in debt.

AMERICAN PLANTER AS THE GLORIFIED AGENT OF A BRITISH FACTOR

That is the secret of the colonial status. The planter in effect, for all his glorified manners, was the superintendent of a tobacco plantation run for the profit of the merchant class in the mother country. No legitimate, bona fide business on an open competitive basis could be conducted in domestic towns which themselves would have to depend upon merchandise obtained from the London factors.

Above all, tobacco was the common currency of the plantation system. We who are accustomed to hard cash or its valid tokens, are inclined to smile at the thought of a planter carrying a hogshead or two around with him, and slicing portions off as he makes his purchases. Of course, he did nothing of the kind. The very force of the circumstances in which he found himself, chiefly of his own creation, held him tied to his ostensible agents who took from him the staple crop which he produced, and gave in return the manufactured and other products of the home country.

An historian of the time, Beverly, writing of the Virginians of 1705 says: "They have their clothing of all sorts from England, as linen, woolen, silk, hats and leather. Yet flax and hemp grow nowhere in the world, better than there; their sheep yield a mighty increase, and bear good fleeces, but they shear them only to cool them. The mulberry tree, whose leaf is the proper food of the silkworm, grows there like a weed. . . . Nay, they are such abominable ill-husbands, that though their country be over-run with wood, yet they have all their wooden ware from England." [166]

Of all the English colonies, it was the Southern plantations from Maryland to Georgia which fulfilled best for the English the essential requirement of the colonial relation, namely to produce raw stables and receive manufactured products. Washington in a letter to his friend, George Mason, expressed this succinctly in the following sentence: "Our supplying our mother country with gross materials, and taking her manufactures in return, is the true connection between us." [167] We are not now concerned with the factors which led to the Revolution. Our object is to explain the fundamental influences which led to that stagnation of Southern society which characterizes it to this day wherever plantation economy in one way or another still obtains.

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[165] Old Virginia and Her Neighbors—Fiske, Vol. II, p. 218.

[166] Quoted by Fiske in Old Virginia and Her Neighbors, Vol. II, pp. 208-9.

WHY TOBACCO FUNCTIONED AS THE MEDIUM OF EXCHANGE

History records many things that man has used as a medium of exchange. The level of an economy can be gauged by the character of this medium. As society develops articles of ordinary use are replaced by the precious metals, while the highest degree of perfection is attained by the economy of that medium through Clearing House settlements and the development of bills of exchange for international balances, with the residue settled in gold.

Bancroft tells us simply that in Virginia tobacco was generally used instead of coin,[168] but he does not analyze the reasons for this obviously imperfect arrangement. Hildreth describes how beaver skins, wampum, and hides at one time or another were all used by the colonists to effect exchanges between themselves and with the Indians.[169] Fiske goes into detail how taxes, wages and salaries were paid in tobacco. He ascribes many of the planter's ills as flowing from "the use of so cheap a substitute for money," and sententiously gives us Gresham's Law as taught in all the kindergartens to explain how bad money always drives out the good money.[170]

It seldom occurs to historians who write so learnedly about the records of society to study the social laws which produce those records upon which they comment with pompous wisdom. The fact that the hoary law relied upon by Fiske does not apply to the situation he discussed never entered into his calculations. That causes him to conclude that the reason why carpenters and shoemakers and manufacturers did not settle in Virginia was because of the uncertainty of the medium in which they were to be paid. Every fact of our colonial history up to the first half of the nineteenth century proves that no tradesman or industrial producer ever caviled at

[167] Life of Washington—Irving, Vol. I, p. 336.

[168] History of the United States—Bancroft, Vol. I, p. 173.

[169] History of the United States—Hildreth, Vol. I, pp. 173, 210, 268.

[170] Old Virginia and Her Neighbors—Fiske, Vol. II, p. 217.

taking produce, good money, bad money and paper money in exchange, so long as he could pass it on in turn.

The really basic reason why tobacco was used as money so long in Virginia, is because it was essentially money of reckoning, money of account. The planter produced a single dependable crop for export. In exchange for that he settled all his balances, or tried to, for the commodities he purchased, since his mode of living led inevitably to extravagances. The planter's only way of settling was through his crop. Therefore all his dealings were with his English factors, and not with Northern merchants who could often sell the same imported manufactured goods for half price, as Fiske admits.[171]

The debtor-creditor status limited the planter's field of operation. Northern merchants had no means of doing business with him on a regular commercial basis because there were no towns, no middlemen, no agents, no local industry through which the complicated affairs of regularly constituted commercial enterprises must be conducted. The planter had one outlet, and not being paid in cash, had one source of supply.

From an economic standpoint the Virginia aristocrat differed in no way from the feudal lord who lived essentially upon the produce of his lands and used the surplus to purchase fineries. Such an economy leads to stability, to regularity, to the reproduction of the same relations indefinitely, and that must result in political, social and ideological stagnation in an otherwise forward-moving world.

PLANTERS ROBBED AS SELLERS AND CHEATED AS BUYERS BY THEIR FACTORS

Planters were keenly aware of the double exploitation to which they were subjected by dealing constantly with the same men who were their customers and they suppliers. They resorted early in their career to every familiar device of the modern Agricultural Adjustment Administration in trying to control the price of their staple through price fixing,[172] burning excess products,[173] and agreeing not to plant for a year.[174] Their hunger for quick and excessive profits ensuing from a monopoly of a staple product was the most important factor in keeping planters tied up in a vice-like grip within the sphere of English commercial policy. This policy would have led to the perpetuation indefinitely, or so it appeared, of the colony-mother country relationship.

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[171] Old Virginia and Her Neighbors—Fiske, Vol. II, p. 218.

[172] History of the United States—Hildreth, Vol. I, p. 215.

[173] Ibid., Vol. II, p. 341.

[174] Ibid., Vol. I, pp. 520, 560.

With the Southern colonies an absorber of English capital and a purchaser of its products they were bound to be chronically in debt, and under the stern necessity of confining the activities destined for them within the orbit of English imperial economy. This necessitated on the part of England the formulation of a program which would allow the colonies an opportunity to settle their obligations to its merchants. The means readily at hand were the engrossment of the colonial trade, and the establishment of a monopoly for colonial products in the home market. This especially was the case for tobacco.

"Since 35 percent of the tobacco of Virginia and Maryland was consumed in England," wrote Nettels, "the monopoly it enjoyed in the home market was a benefit of real value. By 1700 the ban on English grown tobacco had killed the native industry, and the high duties on Spanish tobacco had allowed the colonial product to dominate the English market. The preferred position of the colonies is indicated by the fact that the retail price of their tobacco in England between 1674 and 1702 ranged between 2s. 6d. and 1s. 6d. a pound, whereas Spanish tobacco cost between 6d. and 8d. a pound." [175] The wide fluctuation of price made tobacco a speculative commodity for the merchant, and a constant headache for the planter.

Back in those early days we witnessed the anomaly which puzzles observers of agricultural staple economy even today, of why the planter had to produce more tobacco the lower its price went, whereas according to the immutable workings out of the infallible law of supply and demand, in the view of our university economists, the low price ought to have slowed down production automatically.

The planter was not altogether a free agent. He had his definite obligations to meet, and if the price of tobacco went down in half, he had, everything being equal, to sell twice as much to keep abreast of his commitments financially. Hence colonial history is filled with records of extreme glut or great prosperity, with the final result of the planter ending in even greater debt. The surest road to social stagnation and political dependency for any country is to allow its economy to function as a satellite within the economic orbit of another country. The first aim of every economy organized on a capitalist basis is to establish national self-sufficiency so far as it lies within its power.

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[175] Money Supply of the American Colonies—Nettels (1934), p. 62.

SOUTHERN PLANTATIONS FITTED INTO THE ECONOMIC POLICY OF ENGLAND

For the planters it was an imperious question of producing for a distant market or succumbing. At the same time it was to the interests of English merchants to hold that market open for their best customers of manufactured goods if a balance was to be effected.

But the real profits rested with the merchant. The haughty planter despite his grand airs and courtly manners was, in substance, the production agent of an English merchant house. It was for him to assume the risks incidental to production on a distant frontier. It was for him to solve the problem of an adequate labor supply and its proper management. The planter started out with no preconceived notions in that respect except the natural pursuit of his own immediate interests.

Labor as he knew it in England was sufficient for his calculations in America. But from the very start the question arose how to transport that labor to the New World, and keep it in a state of subjection once it got there.

LABOR CODE OF THE PLANTATIONS

Indentured white labor was the first solution. Fiske gives us very graphic accounts on the manner in which that labor was obtained and the treatment to which it was subsequently subjected. The records of our colonial history on the Southern plantations is written in the suffering and despair of its labor, first of the unfortunate whites, and later of its more unfortunate Negroes.

Under the criminal code of England at that time it was no difficult matter to get rid of surplus population by stamping it with the stigma of convict. Fiske goes to infinite pains, quite unnecessarily, to prove that our Virginia forefathers were all descendants of earls, barons, or at least knights, and that the indentured whites took to the woods and the hills as soon as their term of enslavement was over,[176] leaving Virginia for the blue-blood. Yet he admits that a single English court alone, Old Bailey, over a period of sixty years sent 10,000 convicts to America,[177] while the total for the British Isles would reach as high as 50,000. He concedes to kidnapping, though he hastens to add in the spirit of his Darwinian sociology, that not all of them were necessarily low-born.[178]

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[176] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 178-184.

[177] Ibid., Vol. II, p. 183.

[178] Ibid., Vol. II, p. 177.

At the same time he describes how our noble Virginia aristocrats were accustomed to rob these unfortunates of more of their labor without compensation than they were entitled to even by their own abominable code. "The period of their indenture was short—usually not more than four years; but the ordinary penalties for serious offenses, such as were very likely to be committed, was a lengthening of the time during which they were to serve. Among such offenses the most serious were insubordination or attempts to escape, while of a more venial character were thievery, or unchaste conduct, or attempts to make money on their own account. Their lives were in theory protected by law, but where an indentured servant came to his death from prolonged ill-usage, or from excessive punishment, or even from sudden violence, it was not easy to get a verdict against the master." [179]

Flogging was the most common punishment for the slightest offenses, while for unchastity—those upright, virtuous planters who have given us a race of mulattoes!—the additional term of servitude was two years or more for both man and woman. Attempts at escape, if one survived the punishment, was seven more years of enslavement. In this genial atmosphere grew up those great leaders who spoke grandiloquently of human rights—for themselves.

Is it to be wondered at that a race of planters who were willing to torture their own kind should be the first to establish chattel slavery on the free soil of America?

The brutalizing effects of slavery were discernible both in the chattel and in his master. Were the future of America to have remained in the hands of the Southern planters, it would have been dark indeed. Fortunately, to the north of them a different economy was breeding a different race of men, and we hasten to leave the degrading and stagnant society of the plantation for the life of the Northern farm, town and commercial center. There prospered the elements of industrial progress as well as of the future political greatness of the United States.

G. The Northern Colonies

DISTINCTION BETWEEN THE NORTHERN AND SOUTHERN COLONIES

From Pennsylvania through New England the country-side was interspersed with farms and studded with towns at strategic places.

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[179] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 177-8.

Industry thrived, commerce prospered, and the people everywhere gave evidence of their English origin in the nature of their classic social institutions.

In New England ship-building and manufacture secured a firm hold. From New York a prosperous trade was being carried on with the West Indies and the Old World. Pennsylvania was a great producer and exporter of foodstuffs, while its principal city, Philadelphia, was in 1750 the largest city of the British-American empire.[180] These colonies presented at that early day every evidence of their future development, while the South was sloughing into that political, social, economic and ideological stagnation from which it has just begun to emerge in our own times.

All of this was due to the rich differentiation which the Northern colonies presented as against the drab sameness of the South. There tobacco later yielded to cotton, while rice and indigo were cultivated on the same economic pattern. In the North everywhere was movement, bustle, hurry and initiative. Farms supplied first themselves and then the towns with surplus for export. Petty home industry yielded to the more economical product of the town where manufactures developed. Skilled artisans became entrepreneurs who required but little capital and an abundance of hard work to root their economic independence. Towns soon presented an orderly aspect with laid-out streets and substantial buildings.

Differentiation led to specialization. The cobbler who produced nothing but shoes and boots had as his next-door neighbor the tailor who produced nothing but clothes for his trade, as did likewise the coach-maker, the wheel-right and the blacksmith. Quality and price were matched on the market-place and goods were sold to a discriminating purchaser in a position to judge, and who paid for the merchandise with cash. The entire scope and range of life in the North was that of a self-sufficient economy, with necessary imports balanced by its export of surplus products, direct or in triangular trade. In the South economic life was regulated by the requirements of the colonial relationship, while in the North these restrictions were being felt as unnatural restraints upon their development.

If both the North and the South later made common cause against England, it was on the issue of political rights which vitally concerned them both. After the battle was over the South, now part of an independent national entity, relapsed into its former role of an economic colony for both England and the North; a role from which it began to emerge only thirty years ago. From 1700 on to the present time the history of the United States is dominated by the North.

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[180] The British Empire Before the American Revolution—Gipson, Vol. III, p. 185

Some might ascribe this statement as the result of some secret—or avowed—prejudice against the South. No scientist in any field of endeavor can afford to entertain, let alone to cultivate, such tastes. Later on we will make clear rather fully in what respect the North asserted its domination; nor is that conclusion due to the influence of the New England School of History, which is Boudin's pet aversion.[181]

No one who has read Rhodes' monumental work can charge that earnest and indefatigable scholar with any prejudices against the South; if anything, he leaned over backward in his earnest desire for impartiality. He could not, however, disregard the plain lesson of history. "But it was only in law and politics that the South was eminent," says Rhodes. "She did not give birth to a poet, nor to a philosopher after Jefferson, and his philosophy she rejected. She could lay claim only to an occasional scientist, but to no great historian. . . . Whoever, thinking of the opportunities for culture in the ancient world given by the existence of slavery, seeks in the Southern community a trace even of that intellectual and artistic development which was the glory of Athens, will look in vain. . . . The great majority of the slave-holders lacked even ordinary culture." [182]

Rhodes blames it in part, upon the absence of towns. On the basis of the Southern plantation economy towns were impossible, outside of the few necessary marts for goods, both human and material.

ECONOMIC AND SOCIAL IMPORTANCE OF THE FARM AS THE NORTH'S ECONOMIC UNIT

In the agricultural life of the North the farm was the economic and social unit, particularly in New England. Outside of Pennsylvania, indentured labor played a subsidiary role, and even there, it was of temporary importance. In New York feudal conditions prevailed on the large manorial estates, but that very fact inhibited the growth of that colony.[183] The sons of tenants took the first opportunity to migrate, while those remaining on the land saw no reason why they should increase the fertility of the soil from which they could be ejected practically at the will of the proprietor. In the Jerseys chronic disturbances was the rule between occupants with cloudy titles and absentee landlords, but there also farms were the unit of agricultural organization.

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[181] Government by Judiciary—Boudin, Vol. I, p. 270.

[182] History of the United States—Rhodes, Vol. I, pp. 348-9.

[183] The British Empire Before the American Revolution—Gipson, Vol. III. pp. 117-18.

It is in New England that we see the definite pattern of Northern economy most highly developed, just as Virginia typified the economy of the South. To an independent farmer, his first anxiety is the safety of his tenure. This he acquired in fee simple wherever possible. His next problem is an adequacy of labor. This he supplied out of his loins and that of his good wife. "A large family in colonial times," writes Lippincott, "was decidedly an asset, because it contributed to the ever-needed labor supply." [184] The degree of intensive and intelligent application of labor required on a farm rendered slavery uneconomical, and for that reason, and that only, slavery did not establish a foothold in New England, outside of some portions in Rhode Island.

POLITICAL SIGNIFICANCE OF THE TOWNSHIP ORGANIZATION

Since by necessity and by tradition many problems of farmers could be settled only by co-operative enterprise and common counsel, the township which included all the farms of a given territory became the unit of political organization, and one township began where the other ended. The center was the town, and the heart of the town was its town meeting. Their problems were centered about their farms and homes, and consequently the right to vote was confined to property owners. These problems concerned themselves with roads, schools, the up-keep of fences, the hiring of bulls and boars for the town commons and an infinite variety of local interests. In some Connecticut towns it was necessary to fill over a hundred posts of public importance, and that not all were sinecures is attested by the fact that the code of 1750 provided for a fine to be paid by persons who failed to fulfill their assignment.[185]

Town meetings were generally gala occasions, with the women folk preparing hearty meals, while the men debated and discussed with that mixture of shrewdness and common sense which has become traditional of New Englanders in matters of local concern. But let no one go into rhapsodies upon this flowering of New England democracy; that is, without knowing the verses attached to the tunes. The democracy of the eighteenth century was of a different text than we know it today.

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[184] Economic Development of the United States—Lippincott, pp. 79-80.

[185] The British Empire Before the Revolution—Gipson, Vol. III, p. 90.

PROPERTY QUALIFICATIONS FOR VOTERS

Only freemen could vote at town meetings, and to become a freeman one had to be in possession of an estate to the value of forty pounds. Modest as that might appear in our eyes, in the middle of the eighteenth century that property qualification was sufficient to deprive three-fourths of the males otherwise eligible of the right of franchise.[186] The same property qualifications existed in Massachusetts.[187] Gipson writes that these town meetings were the center of conservatism. But such terms as radicalism and conservatism must be used in their historical setting. Certainly in the eighteenth century there was no embattled revolutionary or radical industrial proletariat in the sense with which we employ those terms today.

In its day, the very existence of a town council of plain farmers, meeting to arrange the affairs of their organized life in their own way, was a radical departure from the practices then prevalent in the Old World, and even in most of the New. When the fateful hour was to strike for resistance to English oppression, both town council and popular assembly in the cities were to meet on a common ground inspired by a common goal. That later on their interests diverged is of no consequence at the present point.

The town council with all its property qualifications, its religious ties and social ostracism, plays a significant and revolutionary role in our history, and as such it is to be hailed as a harbinger of progress. Its only Southern counterpart, by the broadest analogy, is the meeting held in the manor of the planter. But gathered there were his overseer and his principal agents. None were his equal; some were his minions; the great majority of the vicinage unrepresented at that gathering, were his slaves.

Farms and towns are not in themselves of revolutionary significance. The conservatism of the rural population despite Sorokin and Zimmerman, is traditional and enforced by the recurrent reproductive processes of nature which is the basis of that mode of social existence. Nevertheless farmers react as keenly to their economic interests as any other group, while their status as independent farmers in the Northern colonies gave them the incentive to maintain their privileges and the courage to defend them. A chattel slave is not necessarily lacking in courage—as witness the recurrent and sanguinary Negro uprisings in the West Indies during the eighteenth century [188]—but in the absence of a fair opportunity for winning his freedom, he has no incentive for individuation.

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[186] The British Empire Before the American Revolution—Gipson, Vol. III, pp. 83, 87-8.
[187] Ibid., Vol. III, p. 30.

STIMULATION OF LOCAL INDUSTRY

Where the planter is vitally concerned about reducing the slaves' upkeep to the very lowest cost, the farmer has every possible reason for exerting himself to better his lot and the standard of living of his family. It did not take very long for petty industry to establish itself by the process of economic differentiation. Lippincott reports upon the extreme interest exhibited by Massachusetts early in its history to promote local industry. For example, in order to conserve its meager supply of hides, it provided by statute that all hides must be sent to a tannery, and searchers were appointed to enforce the law. Bounties were offered for desirable products made within its boundaries.

Connecticut pledged financial assistance to anyone setting up a forge. Rebates were given to ship-owners using the products of domestic yards. Monopoly and patent rights were issued to encourage domestic production.[189] The determination evident in this protective policy was to encourage domestic enterprise, not because of certain theories of national economy for a nation that did not yet exist, but because of the deep-seated consciousness that no community could thrive so long as it was dependent upon the vagaries of international politics and upon the elements of wind and water for those things essential to the maintenance of its mode of living.

With the Southern plantations the determining factor was the very reverse. The planter's mode of living was not dependent upon the general social level of those directly under his influence. That depended exclusively upon his own conception of the proprieties. Naturally those views were influenced by his own natural inclinations and the demands of the social world of which he and his dependents were a part.

Hence his problem was the getting of a large crop which could be turned into the things that he wanted. Every other economic consideration was subservient to that imperious necessity. Since luxury knows no limits, the larger the immediate crop the better. If proper cultivation required a great initial outlay to enrich the soil, the end aimed after could be more readily achieved by moving on to the

[188] See, for example, the uprising in the Danish West Indies in 1733 as narrated by Westgaard in his book on that colony. "Danish West Indies," pp. 166-171.

[189] Economic Development of the United States—Lippincott, p. 95.

next plot of his ample virgin acres; and after despoiling that by robbing it of its surface wealth, to move on to another plot.

Here at the very outset of our history we observe the divergent development of Northern and Southern economy, and their parallel contradictory theories on economic policies which both sections were to pursue until in our own time the South at last has set itself on the highway toward industrialization along the Northern pattern.

CONFLICT OF ECONOMIC INTERESTS BETWEEN THE NORTHERN COLONIES AND THE MOTHER COUNTRY

Massachusetts and her daughter colonies soon found themselves in conflict with the economic policies of England. At first England had no definite program concerning the regulation of colonial economic activities. After the sanguinary hopes excited by the discoveries and settlements had subsided, English adventurers were compelled to reconcile themselves to the thought that there was only one Mexico and one Peru; and that for the rest, wealth in the New World of their dreams would have to be obtained through the ordinary channels of labor and trade. Commerce at that time was the ordinary, and therefore the desirable, means for the obtainment of wealth by daring entrepreneurs, just as productive manipulation was the chief source of their wealth in the nineteenth century, and financial manipulation in the twentieth century.

The prevailing economic philosophy of the eighteenth century was the mercantile system. Modern historical writers whose ideas of political economy have not advanced beyond Adam Smith repeat mechanically his strictures upon the fallacies of the mercantile theories. They do not recognize the historical validity of the merchant's function in the development of capitalism. These writers, as a class, are devoted with the same singularity of purpose their master exhibited to the apotheosis of production as the true source of a nation's wealth. They cannot perceive that in the historical period preceding the industrial revolution, the preponderant problem was the distribution of commodities from those for whom they possessed only exchange value, to those who yearned for their use value and had the means to gratify their tastes. To accomplish this metamorphosis was the historic role of merchant capitalism.

That creative labor is the sole source of exchange value quite naturally was first propounded by the great economist of the industrial revolution,[190] though Smith is not as consistent in the use of that theorem as was Ricardo and Marx after him. "Labor, it must be remembered, is the ultimate price which is paid for everything," he affirmed.[191] Quite naturally Smith condemned the mercantile theory in so far as the middleman mulcted both ends of the process, the producer and consumer.

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[190] Wealth of Nations—Smith, p. 314.

Our American commentators on the English colonial policy as it began to develop under Cromwell and assume definite form under William III are agreed upon its condemnation as short-sighted and unreasonable, thereby contributing to the combination of events which led ultimately to the violent severance of the ties between the colonies and the mother country. Invariably they create the impression that had England's commercial policy been more foresighted, American independence might have been delayed, perhaps indefinitely.

Yet we will show that the English policy for its time was both logical and consistent. To historians untrained in the analysis of the scientific processes of history, it is inconceivable how two rights may develop on their distinctive bases, which may be mutually complementary at first, and yet develop irreconcilable contradictions where the further development of the one is antagonistic to the further development of the other. So was it between the colonies and the mother country. "Between equal rights force decides." [192] These problems of history are not decided by appeals to reason, though both sides resort to it in self-justification of their very definite ends. The mercantile theory failed not because it was unreasonable according to forms of abstract logic, but because beyond a certain point in their development its restrictions hampered the further growth of the American colonies.

ENGLAND'S COMMERCIAL POLICY

In 1645 was passed the first Navigation Act to regulate the commerce of the colonies. This was amplified in 1651 by a statute which provided that no goods could be transported from the colonies to England except in English-built vessels, owned by English subjects and navigated by an English captain with a crew that was at least three-fourths English. The purpose of the act was stated quite simply in its context as intended for the "increase of shipping and encouragement of the navigation of this nation." [193]

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[191] Ibid., p. 189.

[192] Capital—Marx, Vol. I, p. 259.

[193] Economic Development of the United States—Lippincott, p. 98.

But it went a step further. The principle there is clearly established that the chief reason for the existence of the colonies is to bring them within the beneficial orbit of English economy, to which that of the overseas possession's own economy was to be subservient.

There was created in 1696 the Board of Trade for the colonies, where the injunction is laid upon that body to "inquire into and inform yourselves of the best and most proper methods of settling and improving plantations, such other staples and other manufactures as our subjects of England are now obliged to fetch and supply themselves withal from other princes and states; and also what staples and manufactures may be best encouraged there, and what trades are taken up and exercized there, which are or may prove to be prejudiced to England, by furnishing themselves or other colonies with what has been usually supplied from England; and to find out proper means of diverting them from such trades, and whatsoever else may turn to the hurt of our kingdom of England." [194]

Prior to that, the Navigation Act of 1651 had been reenforced in 1660 by a prohibition of entry to colonial ports of any but English ships. Three years later, the famous "enumerated articles" were promulgated, requiring that all the colonial products mentioned therein must be shipped to England alone. When New England merchants invented a scheme of evasion by shipping in a round-about way through the Southern colonies and the West Indies, Parliament adopted further restrictive legislation in 1673 by imposing on the transit of "enumerated articles" from colony to colony the same duties payable on the introduction of those articles into England.[195]

This was the origin of English custom-houses in the colonies which later were to play such a fateful role in the prologue to the American Revolution. The tenor of the English policy was quite obvious; first, to exploit the colonies as the seller of its products in a confined English market; and secondly, to exploit the colonies as purchasers exclusively of English products, or goods transmitted by English merchants.

ABUSES OF ENGLAND'S RESTRICTIVE POLICY

Upon the bald statement of facts this policy seems unreasonable to an impartial judgment. Thus writes Guttridge: "Perhaps the greatest factor in bringing about that fatal difference of thought between England and the American settlements was the trade system."[196] The same fatal clash would have ensued, perhaps earlier, if there had been no such trade system. For the dogged determination of English merchant men and producers to engross American trade and limit its manufactures did inhibit the normal industrial expansion of the colonies by keeping them in economic servitude. Either way the clash was inevitable in view of the political and ideological bases of their common civilization.

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[194] Act for the creation of the Board of Trade—from American History Told by Contemporaries—Hart, Vol. II, p. 130.

[195] British Colonial Policy, 1754–65—Beer, p. 31.

Guttridge or any other critic could not possibly conceive of any other policy which could have been better adapted to the exigencies of the situation. It is no reproach of England to state that its policy was dictated with an eye chiefly to its own advantage. There exists no example, there can be none, of a trading nation assuming the white man's burden solely with an eye to the advantage of the subject people. Even in those cases where the immediate losses exceed the gains, there are larger questions of imperial policy which render it impracticable to let the colony loose. Sir Joshua Child in his famous discussion on colonies and commerce enforces with singular clarity the logic of the imperial program whether it be English, Dutch, French, or that of any other nation.[197]

It is evading the issue to contend, as Lippincott does, that the effect of the navigation acts and restrictions in manufacture were to a large extent negated by extensive smuggling and systematic evasion. "Even when the violators were brought to court," he wrote, "it was difficult to secure convictions from Colonial juries, and after the establishment of admiralty courts, the conflict between the admiralty laws and the common tribunals impeded the enforcement of the laws."[198] We who have had first-hand contact with the demoralization which followed the enactment and attempts at enforcement of the prohibition law can visualize the effects of commerce by stealth where that course was left open to the depredation of organized bands of outlaws or hijackers called pirates, and where an informer was rewarded by the government with one-third of the proceeds of confiscation, the remainder being shared equally between the local governor and the Crown.[199]

The early eighteenth century was indeed the golden age for pirates on the Atlantic seaboard and the Caribbean waters.[200] The entire commercial history of that period is clouded with chronic and justified complaints by colonial merchants against the policy of

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[196] The Colonial Policy of William III—Guttridge, p. 150.

[197] A Discourse on Trade—Child, Chap. X.

[198] Economic Development of the United States—Lippincott, p. 101.

[199] Extract from Navigation Act of 1696—In Hart's American History by Contemporaries, Vol. II, p. 128.

[200] Colonial Policy of William III—Guttridge, pp. 156-163.

England,[201] of British merchants against the illegal practices of the colonies,[202] and of the Board of Trade anxious to uphold at the same time the dignity of the Crown with the conflicting demands of the dominions whose economic affairs they were to regulate with an eye to English advantage, and still remain fair to its overseas obligations.[203] The ultimate result was that even the most upright of men in the colonies became the confederates of law-breakers, and often their accomplices in crime.

INHIBITING EFFECTS UPON THE COLONIES' INDUSTRIAL DEVELOPMENT

Let us consider the case of iron manufactures. It is needless to enlarge upon its uses, which were well-known in colonial days. As early as 1720 there were in New England alone six furnaces and nineteen forges, while Pennsylvania was already asserting that supremacy in its fabrication which has continued on to this day. We find, therefore, a rider attached to an English trade bill providing for bounties for colonial naval stores, an amendment prohibiting the production of iron in the colonies.[204] Protests from the colonial agents caused its temporary removal.

The ship-carpenters on the Thames complained that their trade was hurt by construction in New England, where costs were lower due to the abundance and cheapness of raw materials. Gipson tells us how English iron-makers once kept busy by a brisk American demand were compelled to reduce their production one-third due to the colonies becoming their own suppliers.[205] To their dismay, the quality of the American products was easily comparable to that of English mills.

Six hundred thousand English workers were employed in the production of iron goods, from the mine to the various finished products, and the British government could not be indifferent to the demands of this major industry. Finally after many years of agitation a law was enacted in 1750 forbidding under severe penalties any further construction of iron and steel mills or furnaces in any of his Majesty's colonies in America; and all governors were called upon strictly to enforce the act upon penalty of forfeiting five hundred pounds in lawful money and of being disabled from holding any office of trust.[206]

[201] History of the United States—Hildreth, Vol. II, p. 197.

[202] Ibid., Vol. II, p. 351. [203] Ibid., Vol. II, p. 215. [204] Ibid., Vol. II, p. 297.

[205] The British Empire Before the American Revolution—Gipson, Vol. III, p. 215.

[206] The British Empire Before the American Revolution—Gipson, Vol. III, p. 227.

The Iron Act did not prohibit existing plants from operating, while it was hoped that by allowing free importation of American pig and bar iron into England, the raw product would be sent there for fabrication. The roseate expectations entertained by the promulgators of this policy were not realized.

Difficulties arose as to what was, and was not a new plant, or merely an extension of an old one. Existing producers at any rate were confirmed in their status, for British sensibilities then were very keen about destroying property rights without proper compensation. Allowing for all differentials, American forges could turn out a comparable product and undersell his British competitor in the home market.

"The American manufacturer," asserted one English producer resignedly, "by the cheapness of his iron, the profit of manufacturing it at home, and by saving the many expenses, disappointments and damages that must necessarily attend exporting this bar-iron to England, and importing the manufactured goods back again to America will have an advantage of 45 percent." [207] The laws of economics conspired with other social factors to defeat this particular application of the colonial principle.

Beer's studies of British colonial policy are thorough and informative, but his theories are more ingenious than valid, as we shall presently see in the consideration of his proposition that prior to 1745 England looked upon the colonies as the supplier of raw materials principally, and after that time, as a customer for its manufactured products. Be that as it may for the moment, Beer does concede that the Iron Act of 1750 had a tendency to benefit the colonies where production of bar and pig iron was already established, while it inhibited that development in other colonies.[208]

ENGLISH EFFORTS TO CRUSH WOOLEN MANUFACTURES AND OTHERS

Nettels in a recent exhaustive study gives important evidence relative to the coercive and restrictive economic policies of the mother country. The Board of Trade sought to crush the woolen manufactures of New England and rejected the making of sail-cloth in New York by proposing that all hemp and flax grown here should be exported to England where the finished product was to be manufactured. On the same ground shoe-making was discouraged in Pennsylvania.

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[207] Quoted by Gipson in The British Empire Before the American Revolution, Vol. III, p. 229.

[208] British Colonial Policy, 1754–65—Beer, p. 198.

In English eyes, the Southern colonies best fitted into their scheme of things as the supplier of agricultural products and the purchaser of its manufactures. With New England the situation was reversed. Not being blessed with a rich soil capable of producing a staple for export, its people had to betake themselves to industry, ship-building and commerce. In all this they were the competitors of, and not complementary to, English economy. Friction was bound to arise, and eventually did result in a climactic outburst to which these economic restraints were a powerful contributing factor, but by no means the all-important or even the decisive factor.

It is one thing to impose restrictions; it is another to enforce them. Schlesinger concedes that the hardships they created were more theoretical than actual.[209] Americans still found it more economical to buy British manufactured goods because of their superior quality and lower price. From a purely economic standpoint on the basis of laissez faire, there is much to be said for the colony mother-country relationship. But there are other influences to be considered in the determination of historical forces. The economy is only one factor which enters into the formation of the social structure. The political ideologies as well as the state policies of peoples and governments must be considered.

While practically it might have been profitable, from the short and immediate point of view, for the colonies to maintain the status destined for them by England, there were the so-called imponderable factors of that relationship which rendered the colonial status irksome, and in the long run would stunt their further development. It is the consideration of all these factors in their mutual reactions which is the particular contribution of the Historical Field Theory to this period of American history.

FACTORS IN THE INDUSTRIAL PROGRESS OF A NATION

It is conceded by Beer that prior to 1745 the essential element in the theory of colonization was that the colony was to produce commodities which the mother country would otherwise have to buy from foreigners. "Hence greater stress was laid on colonies as sources of supply, than as markets for British manufactures. The importance of the colony as a market was not entirely ignored, but was regarded as the natural corollary to the more vital fact that the colony furnished the mother country with raw materials not produced in Great Britain or with tropical products." [210]

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[209] The Colonial Merchants: 1763–1776—Schlesinger, p. 16.

Now manufactures are not the free bounty of nature in the sense that agricultural products are. No one, of course, belittles the degree of organization and intelligence that a farmer brings to his labor. But we are talking of the eighteenth century. His labor essentially was regulated by the superior dictates of nature's own processes. In manufacture man shapes and determines the character of his work according to the physical laws and the nature of his materials.

The facts of history prove conclusively that the degree of social development attained by a people vary inversely to its dependence upon an agricultural economy. The reasons are patent. In manufacture there is brought into play the following factors: first, the practical application of the forces of nature to technological processes; second, the development of science by the replacement of law for empiricism; third, the general rise in the cultural level required for industrial production; fourth, the economy of production costs per unit; fifth, the need for raw materials from distant points; sixth, the growth of transportation and communication facilities; seventh, the increase of social wealth and standards of living; eighth, the fostering of democratic institutions which are necessary to facilitate the cycle of production-exchange-reproduction which is the life process of capitalist economy.

Therefore, the history of every progressive nation from the eighteenth century on is characterized by the resolute determination to foster its industries and render itself as far as possible economically self-sufficient. Earlier that was the key-note of Colbert's policy in France, while Peter the Great tried to do the same for Russia. The initial impetus in those cases arose from the exigencies of the European political situation, but no statesman regardless of his stature had succeeded in lifting his country up only by the exercise of his foresight. Politics and economics are but two of the essential elements of the existing social structure. In both countries the ideological foundation for a capitalist economy was lacking, and in neither were the reigning despots reconciled to forego absolutism for the bourgeois state. England succeeded because the social revolution of the seventeenth century had prepared the ground for its subsequent industrial development.

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[210] British Colonial Policy—1754–1765—Beer, p. 135.

MINOR ROLE OF PREVISION IN HISTORY

History does not record a single example of a people deliberately undertaking a course of action with full consciousness of its larger future social and economic improvement. The American constitution certainly did not do so, and that is the nearest approach to political prevision that the human record affords. For the patent inadequacies of the material, the ideological and political framework of the eighteenth century governments are too well known to require enlargement. It is the spirit of the American Constitution as we interpret it, and as each generation lives it, that renders it immortal. Consequently no claim is made that the colonists in the eighteenth century opposed the restrictions on domestic manufacture because it would stunt the future development of their country. They were not endowed with such extraordinary foresight, neither did they think in terms of America as their country in the modern nationalistic ideology.

In fact Franklin, by all odds the clearest thinker of his time, mistakenly thought that in the acquisition of Canada by Great Britain the enormous extent of its cheap land would render British America a predominantly agricultural and non-manufacturing country, and make that for all time a secure market for the products of English industry.[211] That sterling patriot and champion of the colonies, James Otis, even went so far as to declare during the formative period of the revolution, in 1764: "The act of navigation is a good act, so are all that exclude foreign manufactures from the plantations, and every honest man will readily subscribe to them." [212] Yet both these men, thought mistaken in their views, helped powerfully in forwarding that great progressive step which was the founding of an independent American nation.

At the same time, historians have observed that leaders like Colbert and Peter the Great who were correct in their views concerning the requirements for national greatness were the instruments in fastening a regressive despotism upon their respective nations. It does not help matters to murmur darkly about those perverse demons which continuously upset the best-laid plans of mice and men. Historical movements require something more than the vision of a single leader, or groups of leaders. All the elements of the social structure must co-operate in producing the desirable result. Franklin and Otis were on the right side of the fence at the critical moment, regardless as to what particular mode of rationalization they indulged in to account for their actions.

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[211] British Colonial Policy—1754–1765—Beer, pp. 146-7.

[212] Quoted by Schlesinger in his The Colonial Merchants: 1763–1776, p. 22.

H. The Economic Strait-Jacket

BALANCE OF TRADE THEORY DISTINCTIVE OF MERCHANT CAPITAL PERIOD

According to the mercantile theory, the chief object of trade was the exploitation of both ends of the production—circulation process by the middleman with the resultant balance siphoned off to the merchant. This was the balance of trade which was favorable when cash was coming into the country in settlement of balances due from debtors abroad, and unfavorable when cash was going out of the country to pay foreign creditors for their materials and supplies. The export of capital in its money form or productive form belongs to a later period of capitalist development. In the seventeenth and eighteenth centuries exports were in the form of commodities in their consummable rather than in their productive form.

We can best visualize the source of merchant capital profits by the following examples: Beard tells us that in 1622, a consignment of goods bought in India for 386,000 pounds sold in England for 1,915,000 pounds.[213] Nettels describes a quite modest and ordinary enterprise of a couple of Massachusetts merchants in 1699 who carried on trade in a sloop of fifty tons between Bristol and the West Indies. Both ship and cargo cost them 800 pounds. The profit realized on the sale of both was over fifty percent.[214] The same writer estimates that during the eighteen years 1698-1716 the British West Indies exported to England produce valued at 12,800,000 pounds and received in return English goods worth 6,000,000 pounds.

But trade on a capitalist basis cannot continue as the isolated phenomenon with which it began. It must be recurrent and continuous. The merchant is placed under the strongest possible motivating impulses for continuing the traffic with the result that his source of supply must be certain, and not be dependent upon the sporadic circumstance of traditional market days or places. "In the pre-capitalist stages of society," writes Marx, "commerce rules industry. The reverse is true of modern society." [215]

Where the historical conditions were favorable for its growth capitalist economy took firm hold to continue that process of production-sale-reproduction which is the essence of its cycle. Hence Smith's bitter denunciation at the threshold of the industrial revolution of "those vulgar prejudices which have been introduced by the mercantile system." [216] These prejudices he explains are the thought that a nation could get rich by the encouragement of exportation and the discouragement of importation and the settlement of the balance by the inflow of precious metals.[217]

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[213] The Rise of American Civilization—Beard, Vol. I, p. 20.

[214] Money Supply of the American Colonies—Nettels, p. 84.

[215] Capital—Marx, Vol. III, p. 389.

HOW THE NORTHERN AND SOUTHERN COLONIES REACTED TO THE NECESSITY FOR EFFECTING A SETTLEMENT OF TRADE BALANCES

Yet the fact remains that individual nations did get rich by that process. The problem necessarily arose for the American colonies on how best to settle their balances with England. We saw that Virginia and her neighbors did that consistently by the export of tobacco and other staples. The Northern colonies had no staples to export for the merchandise they so badly needed from England.

It is the necessary fate of a colony during its early stages to import more money values than its exports, thereby leaving them chronically in debt. One of the chief reasons for England's payment of a bounty on naval stores from the American colonies was to divert that trade from Norway and the Baltic provinces, at the same time providing for the national security, and supplying the colonists with a means for settling their balances.[218]

The slackening of trade with New England was observed by the English merchants because of their inability to settle acounts. "If the New England colonies produced naval stores," wrote one of their petitioners to Parliament, "they need not manufacture their own cloth, for such stores would be paid for with English goods. But a bounty was necessary—both necessary and justifiable. Had not Parliament better raise one million of money per annum to be laid out in this kingdom in cloths, serges, threads, buttons, etc., to purchase naval stores withal within Her Majesty's government than to raise six hundred thousand pounds of silver and gold to purchase those stores of foreigners and have it carried out of the kingdom?" [219]

This mode of calculation was most natural and necessary from the English standpoint. It could not possibly be accepted by a virile and progressive people as were the New Englanders. Gold is the universal medium of exchange and the most highly prized commodity of a mercantile economy. By producing or selling commodities for gold, they are limited only by their capacity to supply the market, and the ability of that market to absorb their goods leaving for themselves the world to roam in with gold as the universal talisman. Such a market was right at their doorstep—in the West Indies. The trade would be irregular, but it would be immensely profitable.

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[216] The Wealth of Nations—Smith, p. 522.
[217] Ibid., p. 607.
[218] Money Supply of the American Colonies—Nettles, pp. 145-6, 149, 155, 159, 279.
[219] Quoted by Nettles on p. 146 of his work.

ORIGIN AND BASIS OF WEST INDIES TRADE

Spain, as we saw, engrossed the entire New World trade for its own merchants. That was no reason for barring adventurous merchantmen from engaging in a somewhat hazardous undertaking. Besides the acquisition of Jamaica by England had entrenched her in that area. American merchantmen had entry there on the same terms as other English ships. From that central point Jamaica became the distributing center for manufactured goods, provisions and slaves for the whole of Spanish America.[220] Spain asked for no credit and received none. From this trade England obtained rich stores of that all-absorbing precious metal, and to this trade our enterprising Northerners repaired.

It was by far the most important trade of the Northern colonies. To the British West Indies, and the French, Danish and Dutch possessions of Martinique, St. Thomas and Surinam the doughty New Englanders brought fish, lumber, horses and provisions. Not a few of them freighted slaves. On the return voyage they loaded with molasses, sugar, rum, and the balance, if necessary in gold. These goods they sold again in New England, and repeated the process.

"External trade," writes Nettels, "was not the only source of colonial returns to England. For many years it was supplemented by piracy—an evil which yielded the mainland colonies no little quantity of gold and silver." [221] Spanish currency was more familiar in the colonies than British coins. In fact the American dollar is so named after the Spanish dollar as their piece of eight famed in piratical stories was called. Through the medium of its West Indies trade the colonies were able to buy up bills of exchange on English merchants, and with this means were in a position to settle English claims against their own.

Shipbuilding was an industry which naturally thrived in New

[220] Money Supply of the American Colonies—Nettels, p. 15.
[221] Ibid., p. 87.

England. Everything was ready at hand—a plentiful supply of raw materials, the labor to fashion the product and the merchants and shipowners to employ them. An extensive fishing industry gave it the personnel with which to man them. A rich trade lay at its very door, and the descendants of the hardy Puritans were not the kind to be easily discouraged by English trade laws. The readiness with which they took to smuggling, piracy, and the slave trade amply demonstrated that they would be stopped neither by sentimentality nor by fine-spun moral scruples from pursuing the bent of their best interests.

THE NORTH AMERICAN SLAVE TRADE

Reading the sermons of ministers defending slavery as grounded in the Scriptures is a liberal education both in the mysteries of casuistry and in the depths of intellectual depravity. Through over two solid centuries of our history the Lord's vice-gerents were busy devising moral justifications for an essentially inhuman but exceedingly profitable enterprise.

The Spaniards with their fine sense of Christian morality had long indulged in the virtuous habit of letting out to others the contract for supplying their American colonies with African slaves. The Seville merchants assigned their noble privilege to a group of Genoese traders who got their supplies of human cargo from psalm-singing Protestant Dutch and English kidnappers in Africa. After the Grand Monarch, the first gentleman of France and the mightiest potentate of Europe, had succeeded in placing a scion of the Bourbons on the throne of Spain in 1701 the Assiento, as the contract for the supply of slaves to Spanish America was called, was assigned to the French Guinea Company. "The French Assiento," writes Nettels, "was unquestionably one of the principal factors that brought England into the War of the Spanish Succession." [222]

Allowing historical purists and apologists full amplitude for justifying that war on the usual highly moral grounds, the fact remains that England emerged from that struggle in the treaty of Utrecht with the sole possession of the coveted Assiento which she held continuously from 1713 to 1750.

THE SPANISH ASSIENTO

Adam Smith, who was nothing if not a patriotic Britisher, goes to some trouble to show that the slave trade as officially conducted was not wholly a profitable venture, at least as far as their South Sea Company was concerned,[223] and consequently mitigates his country's fault.

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[222] Money Supply of the American Colonies—Nettels, p. 31.

All the facts of history are against him. "Controlling the trade in slaves," wrote Bancroft, "who cost nothing but trinkets and toys and refuse arms, England gained, by the sale of the children of Africa into bondage in America, the capital which built up and confirmed a British empire in Hindustan. The political effects of this traffic were equally perceptible in the West Indies. The mercantile system, of which the colonial system was the essential branch, culminated in the slave trade and the commercial policy adopted with regard to the chief produce of slave-labor." [224]

Bancroft's indignation would be the more genuine were he himself not guilty of willful repression of historical facts which did not redound over-much to the glory of his beloved New Englanders.[225]

For their hands were imbrued deeply in the blood-guilt which their descendants strove so mightily to wash away with more blood on the sanguinary battlefields of our Civil War. However, the virtuous Bancroft was quick to point out that Her Blessed Majesty, Queen Anne, Defender of the Protestant Faith, together with His Equally Blessed Majesty, Philip V of Spain, Defender of the Catholic Faith, each took one quarter of the stock of the slave trade company, from which enormous profits were expected, to be employed, no doubt, in the further propagation of Christian love and charity.[226]

THE NEW ENGLAND THREE-CORNERED TRADE WITH SLAVES AS THE PIVOT

Another source of profitable trade for New England was with Newfoundland which was practically monopolized by Boston merchantmen. To that colony they brought tobacco, sugar, pitch, provisions and rum, in return for which they took away fish. This fish was sorted into two grades for the Spanish and Portuguese trade, to which countries they carried directly. Commerce in this article was not on the "enumerated" list, which according to the Navigation Act would first have had to be taken to England.

While sojourning in South Europe, the temptation for many ship-owners was irresistible to run down the African coast and bring back a supply of Negroes for the always voracious American market. Needless to say, that cargo was disposed of on a strictly cash basis,

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[223] The Wealth of Nations—Smith, p. 703.

[224] History of the United States—Bancroft, Vol. II, p. 391.

[225] The Rise of American Civilization—Beard, Vol. I, p. 103.

[226] History of the United States—Bancroft, Vol. II, p. 390.

New England fishermen who found themselves with a broken or inferior supply of their legitimate commodity found a ready market for that in the West Indies where it was taken as meal for the slaves. So from various sources, as industry, trade and smuggling, from piracy and the traffic in human beings, New England possessed every element for a rich and thriving economy. Withal we must not lose sight of the fact that it was essentially an agricultural community, supplying all its own needs, and passing on its surplus of agricultural products of food and provisions to Newfoundland and the West Indies.

New England's future greatness lay in the accumulated capital of its merchant class. "By the middle of the seventeenth century," wrote Myers, "the colonial merchants were in a position to establish manufactures to compete with the British. A seafaring race and a mercantile fleet had come into militant existence, and ambitious designs were meditated of conquering a part of the import and export trade held by the British." [227] This, as we saw, was countered by the "enumerated articles" of the Navigation Acts and the restrictions upon colonial manufacture imposed by Parliament and the Board of Trade.

VIRILE NATURE OF THE NORTHERN COLONIES' ECONOMY

Colonial exchange economy in the North centered around the aggressive merchant class. Upon them depended large numbers of small producers, shop-keepers, ship-builders, sailors, coopers, smiths and the like. They dominated such centers as Boston, Newport, New York and Philadelphia.[228] They watched with a jealous eye every move of the British government affecting the interests upon which they had built their economic and political power, and which constituted the basis of their social prestige.

The merchant class of the medieval towns and seaports serve as an illustration of the power which they wielded over the life of their communities. When the need arose for local manufactures to supply their requirements, these were not the men to hesitate because of legal restrictions imposed by some distant governmental agency. Laws are not self-enforcing, and mankind has developed through many centuries of experience with despotic powers an extraordinary technique for evading their provisions where they could not be openly resisted.

Marx points out three methods in the historical transition of merchant capital into industrial capital.[229] First, the merchant becomes directly an industrial capitalist. This happens when the trader, by himself or in association with others seizes upon the process of production directly in order to assure an adequate supply for his market. Second, the merchant enters into an arrangement with existing petty producers whereby he assures them in advance of a definite customer for their products, and thus diminishes the uncertainty of production by regularizing its activities. Third, the industrial capitalist himself becomes a merchant and produces immediately on a large scale for general commerce. Instead of producing for an individual merchant, he produces for the commercial market of which he himself at first is a part. Later by a process of differentiation, commercial capital becomes a subsidiary of industrial capital, instead of, as at first, dominating the entire process.

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[227] History of the Great American Fortunes—Myers, p. 57.

[228] The Colonial Merchants—1763–1776—Schlesinger, pp. 28-30.

From the historical standpoint, the latter process is the really revolutionary way, and ushers in that complex of technological development which we denote as the Industrial Revolution. This did not set in as far as the United States was concerned until toward the end of the eighteenth and early part of the nineteenth century, beginning with the French revolutionary struggles, through the Embargoes, to the aftermath of the War of 1812. During the colonial period in the first half of the eighteenth century, the second of the three processes here described predominated among our merchants.

BEER AND NETTELS ON EARLY BRITISH COLONIAL POLICIES

This brings us to the polemic of Nettels against Beer's theories concerning the British colonial policy as it affected our budding nation. Beer concedes that the mercantile theory as it prevailed in England during the early years of the colonies looked upon the colonies chiefly as a source of raw materials and semi-tropical products, and only incidentally as consumers of manufactured goods sent to balance the exchange.

But with 1745, Beer contends, a noticeable change could be observed in the practical operation of the mercantilist theory. This began to assume an industrial capitalist aspect, induced by the industrial revolution which was gathering force in England. This transformation of Britain's economy led to the greater emphasis upon manufacture on a large scale and therefore impressed upon her producers the need for markets for its finished products.

English manufacturers were beginning to assume that preponderant role in its internal economy exercised so long by its merchants. The amazing natural increase of population in the American colonies which doubled itself every two decades consisting of kindred people with similar tastes made them a great market for their manufactures. Therefore anything which tended to increase colonial wealth, increased at the same time their purchasing power and enlarged the market for English industrial products.

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[229] Capital—Marx, Vol. III, pp. 393-396.

As evidence of this change, Beer cites the fact that when Pitt had the choice of obtaining for his country as the spoils of war from France either Canada or Guadeloupe in the peace of 1763 he preferred the former, much to the astonishment and anger of the British merchant class. Lest some of us smile at this evidence of commercial shortsightedness, it must be stated that Guadeloupe at that time was by far the richer of the two in population and wealth.[230] Beer is frank to admit that Pitt's chief motive was the more showy aspect of Canada on the map, relative to the small West Indies island. He is not so quick to admit that had Pitt erred in his choice and selected the known wealth of the sugar plantations for the uncertain income from Canadian furs, English imperial policy a generation hence would have corrected the blunder by incorporating Canada also.

This view on the shift of England's colonial policy appears to have won considerable support among contemporary writers.[231] To this Nettels takes strong exception,[232] pointing out that the colonies at no time gave away their products, but received English goods in exchange, and challenges Beer to indicate in what way the restriction imposed on commerce and industry were materially lightened after the so-called change.

In fact, there was no such change. The whole issue simmers down to a typical verbal dispute as to what is meant by industry, and what is meant by manufacture. The seamstress is engaged in industry, but the manufacture of apparel on a commercial scale requires something more than the nimble fingers of an individual artisan. Nowhere in Beer's labored thesis [233] is he able to prove where restrictions on competitive colonial manufacture were effectively removed. He is able to show, quite perversely, how in many instances trade restrictions were increased, as with iron and slaves.[234] The difficulty with all this theorizing is that it indulges in subjective rationalizing of an accomplished fact.

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[230] British Colonial Policy—1754–1763—Beer, p. 153.

[231] These writers are listed by Nettels as J. T. Adams, Van Tyne, Andrews, and Alvord in note 4, page 128 of his Money Supply of the American Colonies.

[232] Money Supply of the American Colonies—Nettels, pp. 128-130.

[233] British Colonial Policy—1754–1763—Beer, pp. 193-227.

[234] Ibid., p. 223.

THE INDUSTRIAL REVOLUTION WAS AN EVOLUTIONARY PROCESS

This sudden emphasis on markets for manufactured products instead of a source of supply for staples is an attempt to read eighteenth century history with twentieth century spectacles. The Industrial Revolution is just a modern figure of speech. We are accustomed to say that it began around 1750 but no one at that time knew it for what it was assuming he recognized the revolution at all.

Some twenty-five years later when Adam Smith published his epochal work, he particularly stressed the agricultural role of the American colonies, and warned that all attempts on their part, "either by combination or by any other sort of violence, to stop the importation of European manufactures, and, by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, direct any considerable part of their capital into this employment, they would retard instead of accelerating the further increase in the value of their annual produce, and would obstruct instead of promoting the progress of their country toward real wealth and greatness." [235] The benighted colonies went ahead not only to increase their manufactures, but in time to exclude by tariff walls the manufactures of its competitors; and in spite of it all, rose to unexampled wealth and greatness.

It is truly astonishing to what an extent Smith's laissez faire principles still prevail among our moulders of the public mind. That all political wisdom did not end with Adam is attested by his pontifical assertion that while an individual merchant might be ruined by an abundance of goods in his warehouse, a nation or country is not liable to the same accident.[236] This great genius, for his time, knew as little about tariffs as he did about economic crises on a national and world-wide scale which were the phenomena of a far later period.

PITT'S RIGID ENFORCEMENT OF NAVIGATION ACTS

Far from easing commerce restrictions after 1760 Pitt determined upon a policy of stricter enforcement, particularly of the molasses trade.[237] This by-product of sugar manufacture was obtained, as we observed, in the West Indies from whence it found its way to numerous colonial distilleries. The output of rum was carried along the coast, and the residue was used in the African slave-trade.[238]

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[235] The Wealth of Nations—Smith, pp. 347-8.

[236] Ibid., p. 407.

[237] British Colonial Policy—1754–1765—Beer, p. 123.

Clearly a good part of this trade was illegal, and by every precept of law, with morality to boot, Pitt was justified in denouncing that interference with British commerce "in open contempt of the mother country, as well as the most manifest prejudice of the manufacture and trade of Great Britain." What aroused the Prime Minister in particular was the penchant of New England traders to supply the French with necessary supplies during the war against England upon which she was then engaged.

Here again we observe the collapse of historical theories which would predicate their entire analysis upon some individualized proposition, as does Beer. England's colonial policy remained consistent throughout beginning with the first settlement, until the decision was forced by the arbitrament of war; and that policy was to exploit the resources and the people of the colonies for the benefit of the mother country.

"The primary object of the colonial system was to develop the wealth and power of the empire," wrote Beer,[239] and he would have been well advised to stick to that thesis as an irrefutable truth. The professorial urge for saying something different should be curbed for saying something profound. But this restriction upon the rights of the intellectual stipendiary would in itself justify another revolution.

The year 1745 which is Beer's mystic dividing line between a British Colonial policy shrouded in Stygian darkness, and the other basking in the refulgent glory of a metaphorical Industrial Revolution, appears to be the creation of academic necessity. Certainly all the controlling factors are against him. Bolton and Marshall insist that the colonial policy prior to 1745 during the Walpole period was based exclusively upon the mercantilist economic theories, while Schlesinger in his exhaustive treatise on the commercial history for the period after 1745 to the outbreak of the Revolution presents incontrovertible evidence that restrictions on manufacture were in effect to the very last.[240]

COLONIAL MANUFACTURES DEVELOP DESPITE RESTRICTIONS

Manufactures did develop in the colonies in spite of the policy of the mother country. Many factors combined to render impotent the agencies of governmental enforcement. First we must place the general laxness of public morality in England itself. Writing of the time when young King George III ascended the throne in 1760 Green says: "More than thirty years before, the statesmen of the day had figured on the stage as highwaymen, and pickpockets. And now that statesmen were represented by hoary jobbers such as Newcastle, the public contempt was fiercer than ever, and men turned sickened from the intrigues and corruption of party to a young sovereign who aired himself in a character which Bolingbroke had invented, as a Patriot King." [241]

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[238] The Colonial Merchants—1765–1776—Schlesinger, p. 25.

[239] British Colonial Policy—1754–1765—Beer, p. 193.

[240] The Colonization of North America—Bolton and Marshall, pp. 354-5; and the Colonial Merchants—1763–1776—Schlesinger, pp. 517, 528, 564.

The same virus of corruption permeated into the administration of colonial officials. All historians are agreed upon the singular laxity of enforcement of the Navigation Acts and the difficulty of suppressing manufactures, despite the heavy penalties for such neglect laid upon administrative officials by the terms of the law. How such a place as a foundry, or such goods of local make as woolens, linen, boots and hats could escape the attention of the enforcement officers can be explained only by the experiences of our own generation with prohibition enforcement.

Wherever the way was not greased, the eye of the law was either purblind or indifferent. Besides that, numerous experiences of the British government at home, and of its representatives in the colonies, had taught them that an entire people built on the same essential English mold could not be placed in an economic or a political strait-jacket without something giving way in time. Generally what did give out was the patience of the people against the restrictive agencies of government.

I. The Colonists' Growing Consciousness of Their Power

THE COLONIAL INSURRECTIONS—BACON

Various factors combined to make the colonies conscious of their growing power. First, was the steady and continuous resistance to encroachments on the part of the central governmental authority, as witnessed by the great historic rebellions which preceded the Revolution; second, the colonists had been made conscious of their strength during the various wars in which they had participated on the side of the mother country against the traditional enemy, France, waged in the wilderness of the New World; third, they had learned through the years the art of co-operative effort among themselves, both as local units and as colonial entities acting in combination, which later was to express itself in the formal Congress organized on a continental scale.

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[241] History of the English People—Green, Vol. IV, p. 207.

Among the historic insurrections prior to the great Revolution, Bacon's Rebellion was the first, as its central figure was the most glamorous. All the essential information concerning those events seem to have been a closely guarded secret for almost a century and a half.[242] It is one of the achievements of professional scholarship to have unearthed the important manuscripts,[243] as it is an evidence of their philosophical limitations not to have appreciated its significance until two centuries had elapsed after the event.

Careful scholar that Hildreth was, his first volume gives a fumbling and altogether unsatisfactory analysis, based apparently upon a contemporary report which had been recently disclosed.[244]

Bancroft with all his painstaking research gives us a rambling story of twelve objectives which Bacon and his followers must have had in mind.[245] The classical historian who thinks that facts are self-explanatory loses sight of the fact that very seldom are the active agents of history themselves aware of the deeper social forces which move their times. It can be stated with apodictic certainty that the members of the Constitutional Convention of 1787, for example, had no realization of the fact that the form of government they proposed would evolve into a great popular democracy. Yet the classical writers mumble unconvincingly concerning the Virginia and Maryland insurrections, about Bacon's frustrated military ambitions, his yearning for civil honors.

Fiske exhibits a much profounder philosophic insight into the moving forces which led otherwise tranquil and contented men to take up arms and rally about a leader, knowing that death faced them either from the bullet of the King's henchmen on the field of combat, or by the hangman's noose of the King's executioner should they fail. In fact, over twenty were subsequently hanged.

Bacon's rebellion was a revolt of the lower classes of whites against the aristocratic families who governed Virginia. One of the first acts of the Bacon Assembly during his brief period of power was to establish universal suffrage, and limit the power of the established church, the Episcopalian. It was a protest against official corruption, heavy taxation and the limitations upon industry and commerce as imposed by the Navigation Act.

[242] History of the United States—Bancroft, Vol. I, p. 557.

[243] Narratives of the Insurrection—Andrews, p. 14.

[244] The Thomas Mathews' Narrative published complete in Andrews' work.

[245] History of the United States—Bancroft, Vol. I, pp. 548-9.

"On the whole," concludes Fiske in his excellent summary, "there can be no doubt that Bacon's cause was to a considerable extent the cause of the poor against the rich, of the humble folk against the grandees. . . . Bacon's brief career was an episode in the perennial fight against taxation without representation, the ancient abuse of living on other men's labor. We cannot fail to admire his incisiveness, his cool head, his determined courage; and the spectacle of this young Cavalier taking the lead, like Tiberius Gracchus in a movement for justice and liberty will always make a pleasing picture." [246]

While Fiske's penchant for smooth generalization compels circumspection in evaluating his conclusions, it is appropriate to state that the most recent judgment expressed by competent scholars is fully in accord with that verdict.

Andrews agrees that the revolt was imbued with the spirit of growing self-consciousness on the part of the white masses of Virginia.[247] That the English government, too, sensed its true significance is witnessed by the formidable preparations it made to suppress the rebellion. She prepared immediately to send out a naval force of three ships of war carrying eleven hundred officers and men, together with eight merchantmen filled with necessary supplies. Our amiable Samuel Pepys who was secretary of the Board of Admiralty supplies antiquarians with much of the missing information in his collection of papers as unearthed in the Pepysian Library of Magdalene College, Cambridge.[248]

WIDE DISTRIBUTION OF INSURRECTIONARY OUTBREAKS— LEISLER IN NEW YORK

Rebellions also intersperse the history of North and South Carolina, Maryland, New York, Rhode Island and Massachusetts. Reading the reports of those events composed by their contemporaries, one is impressed with the conviction that few people indeed are possessed of the faculty of understanding their own times.

This has led to the shallow conclusion that it is impossible for the observer to appreciate the significance of events transpiring about him, or in which he himself participates. The fallacy of this proposition has been sufficiently discussed in an earlier work. We have shown that mere passage of time does not tend toward clarification, while we have observed the style among present-day historians to present narratives and documents of the time about which they write as though age itself had imparted to their story the wisdom which their composers had lacked.

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[246] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 104-7. See the whole of his Chapter XI.

[247] Narratives of the Insurrections—Andrews, p. 11.

[248] Ibid., pp. 102-4.

Andrews' collection of contemporary documents bears out fully this conclusion. Bayard's Modest and Impartial Narrative of the Leisler revolt in New York does not add a cubit by the passage of time to its inherent shallowness simply because it was composed on the spot while the events which it describes were in the process of unfolding. So for that matter antiquarians a hundred years from now may search through the files of contemporary editorial pages without thereby contributing to their enlightenment concerning the significance of present-day events.

By way of illustration, Bayard in 1689 wrote the following concerning the Leisler revolt, in a pamphlet then widely current in New York and in London: "The turbulent mind of this person not being satisfied in denying the payment of the usual customs, though appointed for the use aforesaid, he sets himself upon inventing ways how he might overturn the government which was then peaceable and quiet. The first thing he falls upon was to stir up and animate the people of the east end of Long Island to advance with sufficient force to take possession of the government, lest it should be in danger of being delivered up to a foreign power . . . etc." [249]

Andrews explains in a note that Leisler had nothing to do with the uprisings in eastern Long Island, where the towns were eager for re-union with Connecticut from which they had sprung, and of which they had been a part until jerked from that jurisdiction and attached to New York by fiat of the Duke of York when he became the proprietor of that colony upon its taking from the Dutch in 1664. Economic determinism, we observe, was known in its crude form long before modern historians refurbished it as the explain-all of historic phenomena.

It is interesting to note, contrariwise, that another contemporary insisted that "it is notoriously false that Captain Leisler opposed the collecting of revenue" in a passionately worded pamphlet entitled "Loyalty Vindicated." [250]

FACTORS IN LEISLER'S REBELLION

Leisler did in fact present the familiar anomaly of an individual who in his own inchoate and contradictory fashion gives expression to the subterranean forces which move society to action through the instrumentality, necessarily, of individuals who themselves are urged on by a complex of motives. For a long time official history blackened his memory as the leader of a lawless mob, and as such deserving of his fate on the gallows. It is equally a fact that it required the passing of an entire generation to still the controversy that his emergence on the political arena aroused, both among those who defiled and those who revered his memory.

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[249] Narratives of the Insurrections—Andrews, p. 322.

[250] Narratives of the Insurrections—Andrews, p. 385.

Bancroft [251] and Hildreth [252] both agree that Leisler came to typify the democratic spirit in its struggle against aristocracy. Fiske compares the Leisler episode as partaking of the same historical significance as Bacon's revolt in Virginia, contending that in essence it was a popular revolt against the rule of a small oligarchy which governed the colony in the interests of the large landowners and wealthy merchants.[253]

Andrews concedes that, despite certain excesses which characterized Leisler's regime due to the strong admixture of personal feelings under the guise of political principles, this leader who dared organize a rebellion and form a government, spoke in behalf of the masses who were denied an effective voice in the government to which they were compelled to submit. His adherents called him a man of the people, while his enemies called him the leader of a mob. Both the expressions of devotion and of hate summed up for the average mind on both sides the essence of a struggle which their intellects were not fully attuned to apprehend.[254]

Shakespeare in his immortal dramas always succeeds in presenting to us the stark nobility of even perverted or untutored minds when they are called upon to suffer the tragic consequences of their historic role. So are we indebted to Bancroft for presenting to us, in the narrative of the last moments when Leisler was to ascend the gallows, the delineation of a truly great soul, though his enemies denounced him as ignorant and uncouth. After parting with his wife at the scaffold amidst a drenching rain, he turned to his friends and, speaking for himself and his fellow-traveler Milbourne who was to join him on the road to immortality he said: "Weep not for us, who are departing to our God, but weep for yourselves, that remain behind in misery and vexation. I hope these eyes shall see our Lord Jesus in Heaven." [255]

Some day—be it not too far distant—a grateful people now immersed in their own misery and vexation, will remember themselves upon these great leaders who helped create the spirit of our undying liberties.

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[251] History of the United States—Bancroft, Vol. II, pp. 227-31.

[252] History of the United States—Hildreth, Vol. II, p. 140.

[253] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 96, 159.

[254] Narratives of the Insurrections—Andrews, pp. 317-18.

[255] History of the United States—Bancroft, Vol. II, p. 230.

NEW ENGLAND REVOLTS AGAINST GOVERNOR ANDROS

Massachusetts, as well as the rest of New England, had long been accustomed to self-rule under the liberal provisions of its charter. Upon the accession of Charles II, the Tory party, as it was then emerging in England, advocated a strong policy against those branches of the civil government which claimed privileges by virtue of charter grants. The English cities with the exception of London had agreed to the surrender of their charters, and the capital city in the end was similarly compelled to capitulate temporarily to absolutism.

Massachusetts contrived by every artifice of technical delay to postpone the inevitable judgment against her under Quo Warranto proceedings. Her agents in England were authorized to, and did in fact, gives bribes to the king's ministers, as was then the fashion, in a desperate attempt to retain their charter privileges. Clerks of the Privy Council were paid to keep these agents informed on its secret proceedings. As a last resort, Massachusetts offered to surrender Maine to the King himself, if only their charter would be preserved for them.[256] Finally the charter was vacated by default and Massachusetts proclaimed a royal colony.

At the same time the Privy Council determined to establish the Dominion of New England by consolidating all the local governments under a single administrative head. "The decentralized system that prevailed in New England," wrote Andrews, "may have been beneficial as a seed-ground for future democracy, but it was a failure as far as the commercial welfare of England was concerned. Massachusetts lost her charter in large part because of her persistent opposition to the imperial demands. The colonies wanted all the advantages of independence but they expected England to carry their burdens, and that, too, with a minimum of co-operation on their part. When danger arose Massachusetts did not hesitate to apply to the king for aid and protection. To the Lords of Trade New England appeared to be, as it actually was, weak and inefficient." [257]

Andrews here concedes too much. Later on we will discuss the merits of this so-called protection extended by England in behalf of its colonies. This so-called contribution to imperial defense was one of the stand-bys of the Tories to justify the tax exactions which they imposed upon their unwilling American colonies.

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[256] History of the United States—Hildreth, Vol. I, p. 504.

[257] Narratives of the Insurrections—Andrews, p. 224.

The English government selected Andros as governor of the consolidated colonies. Andros' commission called upon him to establish a single government not only for the whole of New England, but also New York and New Jersey which were included within his jurisdiction. Among the purposes outlined was to provide for the common defense against the Iroquois Federation and the French, and to protect the lawful prosecution of English trade.

His first act was to suppress the liberties of Englishmen and destroy colonial trade. He demanded the return of the Rhode Island charter against which Quo Warranto had been issued. Not receiving it, he went there and dissolved the existing government.[258] In the autumn of the same year he proceeded to Connecticut and demanded that the charter be delivered up to him. According to tradition, while the governor of the colony was pleading earnestly for the retention of their cherished rights, the lights suddenly went out, and the charter disappeared, to be hidden away in the hollow of an oak.[259]

Personal liberty was disregarded. The ancient common law privileges were suspended. Freedom of press and speech was proscribed in accordance with the James II policy of administration. Andros was empowered to appoint and remove at pleasure members of the council, and with their consent—not too hard to obtain—to enact laws, levy taxes, and organize the militia.

An indirect but extremely beneficial result of this tyrannical procedure was the enforcement of James' Declaration of Indulgence whereby all religions were given the freedom of observing their practices. It is one of the ironies of history that England's most bigoted king, in his anxiety to establish freedom of worship for Catholics whose faith he professed, was compelled to establish freedom of worship for all.

With that too, fell the power of that extraordinary New England creation, the Massachusetts theocracy. That system of religious tyranny, coeval with the settlement of New England, thus unexpectedly received its death-blow from a Catholic bigot who professed a willingness to allow religious freedom to others as a means of securing it for himself.[260] Such was the comment of Hildreth, himself a descendant of that iron-willed Puritan breed.

Even Cotton Mather, the most outspoken of the theocratic bigots

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[258] History of the United States—Hildreth, Vol. II, p. 83.

[259] History of the United States—Bancroft, Vol. II, p. 159.

[260] History of the United States—Hildreth, Vol. II, p. 83.

—who leave behind them the memory of the witchcraft trials which will never be effaced—even he, thirty years after William III outlawed that recrudescence of abysmal savagery, spoke benignantly of the harmony in which the various religious sects now lived together in Boston, and spoke of religious persecution as an absolute blunder.[261]

CIRCUMSPECT POLICY OF PURITAN REBELS

Englishmen had learned through the centuries the painful art of submitting to tyranny while dissimulating acquiescence, only to burst out in pent-up fury when a favorable opportunity presented itself to regain and even to add to the privileges they had heretofore enjoyed. The Puritans were nothing if not Englishmen. They bore with what patience they could muster Andros' tyranny without giving much excuse for increasing their burdens. When the news arrived of James' overthrow and the accession of William and Mary, the people of Massachusetts acted not only with astonishing alacrity but with almost perfect unanimity. Though without previous concert, they instantly overthrew the Andros regime to which they had ostensibly submitted, and re-asserted the powers hitherto exercised by the people of the Commonwealth.

The best commentary upon the character of this peculiar people is found in Andros' official report to the Board of Trade. He narrates how upon his arrest by a spontaneous insurrection of which no one had previous fore-knowledge he was marched through the streets of Boston lined by two thousand armed colonists on horse and foot; of how upon being taken into the council chamber he was civilly received, but forthwith condemned to prison; how the former popular representatives were re-instated and their old privileges proclaimed; and not content only with their own success, how "by the encouragement and persuasion of the Massachusetts colony the several other provinces and colonies in New England as far as New York have disunited themselves, and set up their former separate Charter, or popular government without Charter, and by that means the whole revenue of the Crown continued and settled in the several parts for the support of the government is lost and destroyed." [262]

Continuing with the report, he describes the unlimited and irregular trade carried on by the plantations in defiance of the Navigation Acts, and that vessels from prohibited countries continue to dock with impunity as during the old Charter government days, while the ships of the colonists leave for destinations proscribed for them.

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[261] History of the United States—Hildreth, Vol.II, p. 306.

[262] Narratives of the Insurrections—Andrews, p. 234.

But this was the spirit of New England, and we see it manifested in its most glorious phase when Simon Bradstreet, a magistrate since 1630 and now in his eighty-seventh year, came forward to lead and advise with his people, while from the balcony was read a declaration defending the insurrection as a duty to God. "We commit our enterprise," it added, "to Him who hears the cry of the oppressed, and advise all our neighbors, for whom we have thus ventured ourselves, to join with us in prayers and all just actions for the defense of the land." [263]

PURITAN IDEOLOGIES IN THE AMERICAN SPIRIT

Muckraking historians delight in picturing the phase of Massachusetts of the Salem witchcraft days, while they conveniently ignore this aspect of the Puritan character. They do not know enough of their own human species to recognize that the cult of Civilization is but a recent acquisition superimposed upon the savage instincts which smoulder underneath. Bigotry, intolerance and blood-lust are but the expression of this fundamental animal nature sucked in with the mother's milk, and of which so few of us have really emancipated ourselves by dint of emotional, cultural and intellectual self-development.

One has but to observe the low level of spiritual development among the formal adherents of the principal world faiths, to see how really little we have advanced in the past several thousand years. And lest the so-called enlightened intelligentsia of our day indulge over-much the exaggerated idea of their spiritual lordship, it need only be pointed out that the overwhelming number of them are apologists for those social crimes of contemporary civilization which manifest themselves not only in periodic, if legalized, outbursts of abysmal fury, but in that slow, sullen torture to which the overwhelming mass of the human race is being constantly subjected economically, socially and spiritually. None has the right to point accusingly at the seventeenth century New England Puritans. They did contribute much that was new and noble to our common Civilization. Few indeed are the peoples or the sects for whom the same claim can be validly made.

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[263] Quoted by Bancroft in his History of the United States, Vol. II, p. 172.

CHAPTER VI

Preparing the Ground for the Revolution

A. Factors in the Welding of the American Nation

THE STRUGGLE BETWEEN ENGLAND AND FRANCE FOR HEGEMONY IN NORTH AMERICA

To the combination of factors which led ultimately to the Great Revolution and final independence, none rank higher in importance than the colonial participation in the New World phase of the struggles for world empire between England and France. Altogether, there were four wars in which the colonies fought in behalf of the mother country primarily, and incidentally in their own. Since the question of American contribution for the common defense of the empire will play a large role in the politics preceding our War of Independence it will be of some interest to follow the ramifications to their origin.

The first of the intercolonial wars which was to reverberate in the challenge of English imperial policy through the American wilderness for almost a century was begun in 1689 as a direct consequence of the struggle between France and England in Europe. Immediately after the expulsion of James II from England, Louis XIV undertook the leadership of the struggle for legitimacy and the divine right of kings. England and Holland were drawn closely together for mutual protection against the power of the dominant European ruler. William of Holland was selected by Parliament with his wife Mary, daughter of the exiled James, as the joint rulers of England.

William the Third quite as obviously was the champion of the Protestant faith and the protector of the territorial integrity of Western Europe's smaller nations. Be that as it may, William was first and last a Hollander, and England with all her possessions was to him but a means of serving the land which really held his heart. His great biographer, Macaulay, regretfully admits it. "While he was forced to be with us," Macaulay writes, "he was weary of us, pining for his home, counting the hours to the prorogation. As soon as the passing of the last bill of supply had set him at liberty, he turned his back on his English subjects: he hastened to his seat in Guelders, where during some months, he might be free from the annoyance of seeing English faces and hearing English words; and he would with difficulty tear himself away from his favorite spot when it became absolutely necessary he should again ask for English money." [1]

All his life William had been engaged in engineering coalitions against the mightiest potentate in Europe, nor did he scruple whence came his support nor by what means it was obtained, even to the extent of over-bidding with English gold, the price offered by Louis XIV for the alliance of petty German princelings.[2]

REPERCUSSIONS OF THE CONFLICT IN THE FIRST INTER-COLONIAL WAR

Massachusetts of all the American colonies had a direct interest in the war; namely, to protect her fishery rights along the Newfoundland banks. But that right could scarcely be successfully challenged by France as long as the English navy existed. There is no question—such was the indomitable perseverance of the early Puritans—that were a show-down demanded of that doughty Commonwealth, she would, in her own good time have advantaged a favorable opportunity to wrestle with that formidable antagonist alone in the New World. Assuredly England did not engage in that conflict to protect the fishing rights of her colonial subjects in an obscure corner of the New World.

Economic determinists would be hard-pressed to find an adequate explanation for this colonial war. As far as their American possessions were concerned, the English were far ahead of their antagonist by every criteria for comparison. The French census for the North American continent in 1688 showed eleven thousand two hundred and forty-nine persons,[3] while that of the English colonies showed about two hundred thousand, half of whom lived north of the Delaware.[4] The Southern colonies having no direct contact with the scene of warfare, limited their participation to a small contribution to New York in its hour of need when hard-pressed from Canada.

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[1] History of England—Macaulay, Vol. VIII, p. 124.

[2] Ibid., Vol. VII, pp. 32-4.

[3] History of the United States—Bancroft, Vol. II, p. 345.

[4] History of the United States—Hildreth, Vol. II, p. 127.

METHODS OF COLONIAL WARFARE

That need was dire indeed. Frontenac, the governor of Canada, organized a campaign against the border colonies of New York and New England. One of these expeditions, consisting of one hundred and sixty French with about as many Indian allies set out to capture Albany, but finding that post too strongly garrisoned turned off toward Schenectady. In the dead of night they fell upon that village and massacred sixty of its inhabitants, among them ten women and twelve children, while carrying off a few prisoners. Another such incursion was made at Salmon Falls in New Hampshire where about thirty were massacred and fifty-four made prisoners. Chiefly women and children were carried off.

Professor Wrong describes with some detail the tortures to which these prisoners were subjected, some ending in cannibalism; a fate to which the French governor himself consigned them in such centers as Montreal and Quebec. "When policy seemed to require it Frontenac knew no restraint in savagery," declared this careful writer,[5] who recognized in this intrepid leader nevertheless all the virtues of a great governor. Frontenac in a savage environment deliberately adopted the ways of savagery with cool calculation for desirable ends.[6] Such was the beginning of that frenzied rivalry which was to go on through four wars over a compass of seventy years and to be terminated only with the complete annihilation of one of the antagonists.

New York, Connecticut and Massachusetts combined together by land and sea to encompass the defeat of the French. Some notable successes were achieved, such as the capture of Port Royal. This fired the military ardor of New Englanders who were stirred on by Cotton Mather in this holy war against the anti-Christ. Under the command of Sir William Phipps an expedition was prepared for the capture of Quebec. The hitherto peaceful colonists fitted out a nondescript fleet of forty ships, some of them only fishing craft, and two thousand two hundred men, many of them impressed for service. Three of the vessels were from New York with two hundred and forty soldiers.[7]

These details are more important than the results. We observe here the beginning of colonial co-operation for a common military objective upon whose outcome all felt very strongly, to the extent of forcing service and voting large sums for supplies. The expedition against Quebec failed, as did one against Montreal previously undertaken.

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[5] The Rise and Fall of New France—Wrong, Vol. II, p. 517.

[6] Ibid., p. 549.

[7] History of the United States—Hildreth, Vol. II, p. 137.

How much all that bloodshed and torture in reality hinged upon events three thousand miles away is observed in the terms of the Treaty of Ryswick by which this war was ended. Both nations were restored to the status quo ante bellum. The French conquests on Hudson Bay and in Newfoundland were to be given to England, while Acadia and the Mississippi Valley were to remain with France.[8] Meanwhile a new revolutionary leaven was beginning to work among the colonies.

EUROPEAN CAUSES OF THE SECOND INTER-COLONIAL WAR

Peace was only a truce; this both sides equally knew. The next cause of general European conflict arose by the vacancy in the Spanish throne due to the failure of natural succession in the line. The once proud Spanish kingdom which under Charles V and Phillip II had created the mightiest empire known to history up to that time, had dwindled down to a puny nation of seven million poverty-stricken inhabitants. Her virile nobility had degenerated by pride and sloth; her active spirits sought fortune in the extensive colonies; while manufacture, commerce and agriculture, once the monopoly of its Moors and Jews, had vanished with the banishment of those peoples. Foreigners by loans and mortgages had gained control of seven-eighths of the wealth coming in from America, and almost all of its shipping was in foreign bottoms.

Spain in 1700 became the prize for the conflicting ambitions of the House of Bourbon and the House of Hapsburg. Louis XIV was still alive though in the decline of his glory, and a scion of his family was seated finally on the Spanish throne with the injunction to be a good Spaniard, but to remember that he was born a Frenchman.

About a year later the deposed English king James II died in France. Louis XIV in a burst of chivalric generosity which was the most engaging part of his nature recognized his son James III as the legitimate king of England. Thus war was begun, and into this struggle once again were dragged in the American colonies of both combatants to espouse their respective sides.

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[8] The Rise and Fall of New France—Wrong, Vol. II, p. 545.

We shall pass by the details of the long-drawn out conflict. For over ten years the border on both sides was the scene of horror and desolation with that especial cruelty which contact with savages brought out in the nature of allegedly civilized men. The military efforts on the colonial side were extensive and the cost depressing.[9] Armies numbering over a thousand colonials were raised intermittently, as the exigencies of the campaign demanded.[10] Naval expeditions were undertaken with Boston as the activating spirit.

When the final settlement was reached around the peace table at Utrecht, Acadia was handed over to England by right of conquest in which the colonials had taken a conspicuous part. To those forces New England had contributed thirty vessels and four regiments of troops.[11] In the Hudson Bay territory despite the magnificent victories won by the French on land and adjacent waters, that success was nullified by their ultimate defeat where it really mattered, in Europe, and thus the hegemony over that enormous area was surrendered to the British.[12]

France's yielding of that territory was due to its anxiety to secure Acadia, and while English diplomats were ready to play the time-honored game of give and take, a new force had entered upon the scene which they could no longer overlook, namely the determination of New England to rid her borders forever of the menace of French and Indian incursions.[13]

England this time was in a position to play her hands well, and ended by holding on to both the contiguous territories of Hudson Bay and Acadia. Professor Wrong is fully justified in asserting that had matters ended where they stood the French power was doomed to impotency by history. In the final test a half century later two million British subjects in North America compactly established on the Atlantic border were to face scarcely a hundred thousand French spread throughout the enormous length of the St. Lawrence through the Great Lakes and down the Mississippi to its mouth. New France was doomed politically in 1713, as it was historically long before by the social system implanted there which inhibited its economic, political and spiritual development.

Between the second and third inter-colonial wars there ensued a long period of peace due to the mutual exhaustion of their military resources on both sides, with the additional need on the part of England for digesting the enormous gains achieved through the settlement at Utrecht. Walpole's ministry was essentially one of national consolidation, but there comes a time when war-like appetites must be replenished for a growing world power. Many in Britain were looking enviously toward Spain's colonial riches held by a nation for which they entertained the utmost contempt. Spain on her side was smarting under the indignity of seeing the British flag flung before her very nose on soil which had always been Spanish, namely Gibraltar.

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[9] History of the United States—Hildreth, Vol. II, p. 259.

[10] The Rise and Fall of New France—Wrong, Vol. II, p. 572.

[11] History of the United States—Bancroft, Vol. II, p. 378.

[12] Hudson's Bay Company—Pinkerton (1931), p. 66.

[13] The Rise and Fall of New France—Wrong, Vol. II, p. 585.

WORLD POWER POLITICS AND THE THIRD INTER-COLONIAL WAR

After twenty-five years of peace, England began once more its march toward world hegemony. The continued possession by a decrepit third-rate power of the choicest colonial empire irked the imperialists of her day. Economic determinists would find considerable difficulty in reconciling the conflicting policies of Walpole, long the head of the government, who held out resolutely for peace, and Pitt beginning then to show the elements of his future greatness, who kept chiding the government on its pusillanimity, amounting in his eyes to cowardice. The poet Pope then essayed the role later assumed by Kipling, while the philosophic Samuel Johnson declaimed that no peaceful desert was yet unclaimed by Spain. Despite all this grandiose verbiage, there was a central core of commercial interest which agitated English opinion toward war in 1739.

It would be grossly incorrect to state that this was the sole, or even the dominant predisposing factor in that war. One may well question whether in any modern war the generation which fought it and paid largely for it in both blood and treasure ever got much out of it except that ephemeral thing called glory. Only by the analysis of all the social forces which a society calls forth at a given stage of its development, is it possible to explain such a prosaic phenomenon as the war of Jenkins' Ear, as it was popularly called.

For let it not be forgotten that this war which was to drag on from 1739 to 1748 involving every corner of the world—and not the least among those affected, our own thirteen colonies—was begun for a highly laudable and most praiseworthy purpose, namely to avenge the loss of Jenkins' ear, cut off by a Spanish officer who boarded the Englishman's ship, slit off that anatomical adornment, and then threw it in his face, together with an insulting message to his king. The same furious indignation was aroused in Britain by that circumstance which we in our day observed when Hitler forthwith undertook to avenge Britain's violation of Norwegian neutrality by her laying mines off its coast on a certain Sunday, to be followed on Monday by a startling Blitzkreig in Scandinavia which gave every indication of months of previous German preparation and years of planning.

In 1739 as the romantic historians of that day stated the case, it was the fury aroused by the brutality to which an Englishman had been subjected that accounted for the recourse to arms in defense of the national honor. It is unfortunately true that many years later Burke declared that after Jenkins had yielded his upright soul and somewhat mutilated head to his Maker, as it was thought, it was discovered that both his ears were intact.[14] Why such an amazing discovery was not previously made is one of the problems of history worthy of a Ph. D. thesis. Even the staid Bancroft concedes that a powerful contributing factor toward the outbreak of that war, among other things, was that English merchants could not smuggle in Spanish America with impunity.[15] That delicately turned phrase shows that such smuggling was neither rare nor entirely interdicted.

According to the Assiento signed in 1713 one English vessel of five hundred tons was allowed to enter the Spanish trading post of Porto Bello on the Caribbean side of the Panama isthmus. Rumor had it that the vessel was much over the required tonnage, and that it made several return trips accompanied by other ships of smaller size.

Whatever the nature of this obscure situation, the fact remains that the Spanish king strove desperately to stave off war by effecting an accommodation of outstanding differences. His Catholic Majesty claimed sixty-eight thousand pounds as due him in profits from his share of the slave trade in which the English South Sea Company was engaged, and offered that as offset together with some additional thirty thousand pounds in cash to settle the various claims of English subjects. The English answered by capturing Porto Bello then held by a weak garrison. "Peace was not what the English desired," wrote Hildreth. "They despised the Spaniards as weak, and envied them as rich. The hope of plunder—a principal motive in all modern English wars—stimulated that passion for fight, always strong enough in British bosoms. The ferocious clamors of the merchants and the mob made it necessary to break off the negotiations, and absolutely forced Walpole into a war." [16]

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[14] The Rise and Fall of New France—Wrong, Vol. II, p. 668.

[15] History of the United States—Bancroft, Vol. II, p. 574.

[16] History of the United States—Hildreth, Vol. II, p. 376.

ACTIVE SOUTHERN PARTICIPATION IN COLONIAL WARFARE

This time it was the Southern colonies which reacted instantly to the call of battle. Georgia under Oglethorpe's inspiration raised a considerable force against Spanish-held Florida. In this enterprise South Carolina was eager to join, contributing five hundred men and voting large supplies. Volunteers came from North Carolina and Virginia. No longer do we see colonists holding on precariously along the seaboard, but commonwealths that are ready to support with men and money a military enterprise in which they were but remotely interested. In the earlier inter-colonial war between France and England in America we observed how the Northern colonies responded to the necessities of war.

It is beyond the scope of our present study to go into the details of a conflict which began, quite simply enough, with England's assault upon Spain's colonial possessions, but succeeded in drawing into its maelstrom all the leading powers of Europe, spreading out in time into the French and British possessions in India.

All the American colonies, except Georgia the youngest and poorest, were called upon to aid the mother country in a venture which set out with the deliberate purpose of taking Mexico and Peru from Spain. All of them responded with full quotas toward the total American contingent of thirty-six hundred men for the expedition. The virtuous Quaker Assembly of Pennsylvania underwent qualms of conscience about supporting a war, particularly one obviously bent upon conquest. However their good Christian souls were appeased by a resolution which blandly voted men and money for the king's use, as it stated euphemistically, leaving it to Governor Thomas to see that both should be well employed for the purpose intended.[17]

This particular campaign in the West Indies during 1740-1 met with a series of military, naval and tactical reverses, and of the recruits from the colonies nine-tenths of them succumbed, victims of ill-usage and disease, rather than because of the enemies' prowess.[18]

Meanwhile the maze of European diplomacy evolved a combination of Austria and Russia as the allies and stipendiaries of England, just as in earlier days Charles II and James II of England had been in the pay of Louis XIV. Against them was pitted Spain and France. Twice during the long-drawn out struggle Frederick the Great assumed arms against England, and twice he agreed to a separate peace, as best suited the immediate interests of Prussia. France entered into the war in 1744 on the question of the Austrian succession, which really involved for her the old question of the hegemony of Europe.

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[17] History of the United States—Hildreth, Vol. II, p. 378.
[18] History of the United States—Bancroft, Vol. II, p. 579.

MILITARY CO-OPERATION AMONG THE ENGLISH COLONIES

Immediately these repercussions were felt on the North American continent. During the long peace which had preceded the renewal of hostilities, France had built the most powerful fortress in the western hemisphere at Louisbourg in a position to dominate the Atlantic coast from the St. Lawrence to the West Indies. Massachusetts had long felt that military base as a thrust at its own interests in the region of the North Atlantic and the Newfoundland waters so vital to its fishing fleet. All the Northern colonies felt insecure in the face of France's impressive threat, and all responded to the call for its destruction.

Massachusetts, as usual, took the lead. She sent a circular letter to all her sister colonies as far south as Pennsylvania for joint action in this common enterprise. The good Quakers again would not vote for war, but offered money for its support. New Jersey voted money, but declined to raise men. New York likewise limited its efforts to financial support. Connecticut, Rhode Island and New Hampshire stood loyally by the old Commonwealth and supplied both men and money for the reduction of Louisbourg.

Thus early we see evidence of the strength and weakness of the American colonies. Their strength lay in their willingness to cooperate in an enterprise where some vital common interest was at stake, while their weakness was exposed in the lackadaisical manner in which each consulted its own direct advantage as the measure of its contribution to the general enterprise. However, it must have been evident to Massachusetts that nothing more was to be expected, and therefore no chagrin need be expressed. After all, in the beginning of the war when the seat of operations was in Florida and the West Indies, the Southern colonies were expected to, and did, bear the brunt of the struggle. Now it was up to her to do the same, and she had no cause for complaint.

Massachusetts and Maine, which was then a part of the Commonwealth, raised about three thousand men through the various devices of impressment, bonuses, and the preaching of a holy war by the revivalist George Whitefield against the minions of the Popish Church.[19] The money donated by its sister colonies was welcome to its depleted treasury. Together with raw recruits from the other New England colonies, with the support of an English blockading squadron, the investment of the fortress was begun. After a devastating siege Louisbourg finally surrendered just before the general assault for its capture was to be launched. Here then, to the astonishment of the entire military world, was revealed a new power that had grown up behind its back among the wilderness of the New World.[20]

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[19] Rise and Fall of New France—Wrong, Vol. II, p. 675.

The following year all the colonies from Virginia northward pledged to raise eight thousand men in an expedition proposed by England against Canada, while in 1747 Quaker Pennsylvania had so far moved from its old traditions as to vote for the support of a military organization, with a conscience saving clause that service was to be on a voluntary basis. This time, the military situation in Europe proved less favorable to England, and the fleet it had proposed to send for that purpose was otherwise employed on the coast of Brittany. The colonial forces assembled at Portsmouth chafed impatiently, and was finally disbanded after a considerable period of inactivity.

COLONIAL INTERESTS AS PAWNS ON THE DIPLOMATIC CHECKER-BOARD

Finally in 1748 peace was signed at Aix-la-Chapelle. Each nation was to restore its conquests in the war. France had taken Madras in India; the English had taken Louisbourg in America. Both were returned to their former sovereignty. So did the New Englanders see the fruit of their valor lost on the checker-board of international diplomacy in exchange for some city concerning whose existence not one in a thousand New Englanders knew and cared even less. But they did feel, with considerable justice, that here in America their interests were but pawns in a bigger game of whose course they did not know, and in the playing of which they had no voice.

Commercially-minded England meticulously re-imbursed the colonies for the expense they had incurred in fighting her battles,[21] but she could do nothing to assuage the bitterness engendered by the colonists' consciousness of the futility of their larger sacrifices, nor the ill-will aroused by the knowledge that they were being moved hither and yon in the game of worldwide power politics.

"The treaties of Aix-la-Chapelle," wrote Bancroft, "had been negotiated by the ablest statesmen of Europe, in the forms of monarchical diplomacy. They believed themselves the arbiters of mankind, the pacificators of the world, reconstructing the colonial system on a basis which should endure for ages, and confirming the peace of Europe by the nice adjustment of material forces." [22] So, too, did those all-wise statesmen assembled at Versailles in 1919 lay the basis of an enduring world peace.

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[20] Rise and Fall of New France—Wrong, Vol. II, p. 680.

[21] The Rise and Fall of New France—Wrong, Vol. II, p. 680.

Unfortunately few are gifted with the foresight to match Bancroft's hindsight as he conjures up in his work the forces then maturing to break up the finely-balanced eternity-enduring mechanism contrived for the future ordering of the world by the brilliant Aix-la-Chapelle statesmen. For in the wilderness of the New World, our genius in romantic and providential history assures us, a stripling youth was being nurtured in the shades of Westmoreland county in Virginia, whom God had selected to upset the well-laid plans of Kaunitz and Newcastle, of the house of Hapsburg and the house of Hanover. One shudders to think what would have been the destiny of the world if Washington had never been born, or if the stars had been less auspicious in their configuration.

SIGNIFICANCE OF THE COLONIAL POLITICAL CONFERENCE AT ALBANY IN 1754

Apparently more powerful social forces were at work than the proverbial stupidity of European diplomats and the fortuitous rising of a yet unknown genius on American soil. Toward the end of that conflict Governor Clinton of New York, a broken-down British admiral sent over to repair his fortunes in the New World, had sent out a call for a conference to meet in Albany to consider the further prosecution of the war. Although this meeting was not concerned directly with the affairs of the entire seaboard Shirley, the governor of Massachusetts, was present.

The signing of peace in Europe turned out to be only a short truce in America, for the French began their advance to the headwaters of the Ohio River, and Virginia was just as resolute to repel them. In 1754 armed conflict broke out again between the French and English forces for the control of the Ohio Valley. The colonies on their side realized that the last act of the drama in this long duel between the two great colonial empires was now to be fought to its ultimate conclusion. With the peculiar perspicacity which is vouchsafed even to the dullest in time of danger, the colonies were drawn together by irresistible influences to meet the common burdens and face the dangers of the final test.

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[22] History of the United States—Bancroft, Vol. II, p. 597.

This was the origin of that memorable Albany Convention in 1754. Every colony north of the Potomac sent representatives. Once again we observe that not a political abstraction, but a concrete situation drew them together. The colonies south of Virginia did not respond to the invitation because the French danger was too remote to cause them such intense concern.

Among the colonies represented there was a general agreement that some form of permanent union was necessary. When Franklin with characteristic shrewdness came forward with a definite proposal for a federal government with a governor-general appointed by the king and a central seat at Philadelphia, all the delegates excepting those from Connecticut agreed with the project "in principle," while the assemblies they represented were almost equally unanimous in discovering flaws in the plan actually proposed to effect this desirable end. The really significant role of this Albany Convention was the recognition by the colonists, be they Southern plantation owners or Northern farmers, small industrialists or merchantmen, that all had a common interest in matters which vitally affected their political integrity and economic security.

COMPARATIVE STRENGTH OF THE COLONIAL COMBATANTS IN THE FOURTH INTER-COLONIAL WAR

At the time when the Albany Convention was signifying that the ultimate struggle between France and England in the New World was at hand, the thirteen colonies had a total population of one and a half million, of whom two hundred and sixty thousand were slaves,[23] while the total population of New France was scarcely one hundred thousand, of whom a fifth were capable of bearing arms.[24]

For two years an undeclared war was waged in the New World while the real antagonists kept a formal peace in the Old. First England authorized war on land in America in 1754, and then went a step further in the following year by beginning naval operations in those waters on ships destined there from French ports. France countered by sending out an expedition for the support of Canada.[25]

Meanwhile both sides were working furiously to arrange European alliances before beginning war on a grand scale. Bitter enemies

[23] History of the United States—Bancroft, Vol. III, p. 83.

[24] History of the United States—Hildreth, Vol. II, p. 481.

[25] The Rise and Fall of New France—Wrong, Vol. II, p. 758.

of the last war became allies in the present. Prussia was now on England's side; Austria aligned itself with France; while Russia started out as the friend of England and the enemy of Austria.

During the course of the conflict Prussia found herself the enemy of both Russia and Austria.[26] Upon the fortuitous death of Elizabeth of Russia, her successor Peter III ended the war and formed an alliance with Frederick of Prussia, sending him ten thousand moujiks to bleach their bones on the battlefields of that ambitious monarch.[27] It seems that Peter's wife had ideas of her own, and after securing the assassination of her husband, ascended the throne and issued orders for renewing hostilities. However, before they could go into effect, these hostile moves were recalled, the erstwhile friends who had been enemies only to become friends once again but for a brief time, when they again became the bitterest of enemies, now in the nick of time found themselves miraculously bound into the warmest of alliances.

If one becomes slightly dizzy at this kaleidoscopic diplomatic panorama, one must remember that it was typical of eighteenth century politics and diplomacy in Europe. Into this maze or mess the American colonies were inevitably drawn. If one cavils at such absolutism in statecraft, it has only to be recalled how Peter the Great devoted his mighty will in constructive fashion on the economic front to the assiduous development in hot-house fashion of commerce, industry and the sciences in his extensive domains,[28] but with similarly bewildering and inconclusive results.

ENGLAND RULED BY THE ARISTOCRACY AND THE POLITICIANS ALTERNATELY

Public opinion played no role in affairs then, not even in England. What passed for the public was the small coterie of politicians and self-seekers who intermittently essayed the role of statesmen, depending upon the turn of fortune which too often rested upon the whim or the lifetime of the reigning monarch.

At the time when England was girding for the fourth great war which was to involve its American colonies, the House of Commons, it is true, was the dominant political power. But it must be remembered that most of the seats were for vest-pocket boroughs in the possession of the great landowners,[29] many of them peers who sat in their own right in the House of Lords. We are too prone to think of general elections in terms of the present, but in those days they were shoddy affairs where the electors were called together to vote under the eyes of their master, while in full truth, less than fifty constituencies were contested at such an election.

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[26] History of Germany—Lewis, p. 522; Ibid., p. 523.

[27] History of Russia—Kelly, Vol. I, pp. 452-3.

[28] History of Russia—Kelly, Vol. I, pp. 339-40.

[29] History of the English People—Green, Vol. IV, p. 200.

This was the hey-day of personal combinations and clever intrigue, where the stakes involved were the control of a growing empire and the amassment of both fortune and honor during the incumbency of public office. To begin with, one had to have a seat in Parliament. Since in the nature of things those destined to be peers were definitely limited, men with political ambitions had to cast around for the privilege of representing a close borough. "Purchase was becoming more and more the means of entering Parliament," wrote Green, "and seats were bought and sold in the open market at a price which rose to four thousand pounds." [30] The leaven of genuine democracy was at work, but another century was to pass before substantial reforms were to be effected in England's governmental system.

EXPULSION OF THE ACADIANS

During that interval between 1754 and 1756 when France and England were at war in America but at peace in Europe, the British with the advice, consent and co-operation of the colonies, principally of Massachusetts, undertook the expulsion of the Acadian population from its native soil; an act which for its sheer brutality and devastating consequences has earned for England, both New and Old, the just condemnation of history.[31]

It will be recalled that Acadia, or Nova Scotia as it is now called, passed to the British at the peace of 1713. The natives whose exemplary peaceful lives have become traditional in the annals, stoutly refused to take an oath of allegiance which should bind them to fight against France. For forty years they were left in quiet possession of their homes and fields.

Then suddenly they entered within the horizon of British imperial policy. Their removal was determined upon. "Of the six persons who made this decision, three came from New England." [32] It had been determined, protests Bancroft with bitter condemnation which reflects commendably his sense of justice, in the spirit of

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[30] History of England—Green, Vol. IV, p. 201.
[31] The Rise and Fall of New France—Wrong, Vol. II, p. 767.
[32] The Rise and Fall of New France—Wrong, Vol. II, p. 772.

Oriental despotism from which there is no recourse, with the foredoomed course to be carried through to its pre-ordained conclusion despite all appeals to the softer nature of man.

In the hour of their affliction France sought permission to remove the descendants of its sons to territory under its own suzerainty, but all considerations of polity and humanity failed to move the British council from its strange resolve.[33] By a contemptible artifice the peace-loving Acadians were gathered together in their churches and meeting place, arrested, and informed that they were to be deported. There was no time given to collect belongings. Their homes were burned down by the English soldiery, their livestock slaughtered or dispersed, their crops destroyed, while the verdant fields were returned to wilderness.

Deportation of from six to ten thousand people—historians differ as to the number involved [34]—even for modern times is a large undertaking; for those days it was a tremendous one. Nor was it the fiat of a moment; rather it required seven or eight years for its accomplishment. Writes Hildreth: "Wives were separated from their husbands in the confusion of embarking, and children from their parents, were carried off to distant colonies, never again to see each other! Their lands, crops, cattle, everything except household furniture, which they could not carry away, and money, of which they had little or none, were declared forfeit to the crown; and to insure the starvation of such as fled to the woods, and so compel their surrender, the growing crops were destroyed, and the barns and houses burned, with all their contents!" [35]

Every British colony in North America was assigned a quota of these unfortunate people, but nowhere were they welcome, since they became a burden on public charity. Massachusetts quartered a thousand; Virginia refused to receive them; Pennsylvania cooped up her quota on board ship due to an outbreak of small-pox among them, where most of them died of hunger, if they were spared by disease.[36] It is to the honor of the intellectual honesty of our great historians that Bancroft joins Hildreth in declaring: "I know not if the annals of the human race keep the record of sorrows so wantonly inflicted, so bitter, and so perennial, as fell upon the French inhabitants of Acadia"; [37] while Professor Wrong finds some consolation in the comparison of those tragedies with French cruelty on St. Bartholomew's Day.[38]

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[33] History of the United States—Bancroft, Vol. III, pp. 133-4.

[34] Bancroft at p. 134 places the number at 7000, while Wrong gives the estimate above; p. 782.

[35] History of the United States—Hildreth, Vol. II, p. 458.

[36] The Rise and Fall of New France—Wrong, Vol. II, p. 778.

[37] History of the United States—Bancroft, Vol. III, p. 136.

FINAL STRUGGLE TO EXPEL FRANCE FROM CONTINENTAL NORTH AMERICA

During the early years of the Seven Years' War England met with severe, because unexpected, reverses on both land and sea. But with the advent of Pitt as Prime Minister a new spirit began to manifest itself in Britain's efforts. Toward the colonies he adopted the attitude of patriotic entreaty rather than the pompous tone of command. Furthermore he promised to re-imburse the colonies for their expenditures in the common enterprise, and to the satisfaction of all, he kept his promises.[39]

Massachusetts in one year supplied seven thousand seven hundred men, besides making advances of one million dollars. Heavy taxes were imposed by its General Court, while the income from real estate was siphoned off into the public treasury to the extent of two-thirds of the total. Connecticut raised five thousand men; New Hampshire and Rhode Island contributed large quotas; New York sent two thousand six hundred into the field; Virginia raised two thousand troops, while the Quaker Assembly still tried to hide from the Almighty the purposes for which it blandly appropriated the sum of one hundred thousand pounds, though all the rest of the world that cared knew that it was for putting two thousand seven hundred men in the field.

But now a new spirit was beginning to manifest itself in the relations between the colonies and the mother country. The huge sums voted from time to time by the various Assemblies were not outright grants to the British military agencies. On the contrary, these representative bodies clung to their proclaimed right to supervise the expenditure of their appropriations, and surely England was in no mood nor in a position to cavil over the niceties of legislative policy in a period of crisis. The heavy taxes imposed thus were by their own representative, and while many were driven to ruin, few complained over the hardships which fell with equal measure on all. Not all expenditures were re-imbursable by Parliament, which confined itself to moneys necessary for the feeding of the colonial levies.

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[38] The Rise and Fall of New France—Wrong, Vol. II, p. 782.

[39] History of the United States—Hildreth, Vol. II, pp. 485-486.

COSTS TO THE COLONIES IN MEN AND MONEY

When the total costs were added up, the colonies had incurred expenses of over sixteen million dollars, of which Parliament reimbursed only five millions. At the end of the conflict the colonies were left heavily in debt; but they had also acquired the habit of self-taxation and the right of controlling the purse after it was filled. These are dangerous habits, and once acquired by a resolute people are yielded up only after a long and arduous struggle.

At the same time private enterprise had opened up before it a tremendous field for the play of individual initiative. With most exemplary impartiality colonial merchants traded with both sides of the combatant forces. The French forces they kept fed and armed directly by way of Canada or through the West Indies where they supplied provisions and contraband to its fleets, garrisons and armies in the field.

Many a colonial soldier had the satisfaction of knowing that the bullet that felled him or the bayonet that thrust him through was supplied by a virtuous New England merchant who recited the psalms unfailingly on Sunday and no doubt on other days. Provisioning the British fleet and armies naturally fell largely into the hands of American merchantmen, and the resultant increase of trade and expenditures made the war very popular in America.[40]

The fate of New France was sealed with the fall of Quebec in 1759 while the formal treaty of peace some four years later simply recognized the doom of history as written by the heroic armies of Wolfe and Montcalm, and maintained by the intrepid imperial policy of the expanding British Empire. The nation of shop-keepers was to become the rulers of the world through its control of the seas, and of strategic water-passes, and of the empires to which they led.

But another reckoning was to be made by the colonies now roused to consciousness of their own strength. They figured, too, not only the debts accumulated, but the men lost during the struggle. By disease and the ordinary fortunes of war the colonies had suffered the loss of thirty thousand men. When we consider the ubiquitous evidence of American casualties in the First World War in graveyards and memorials which dot the countryside, and compare the forty-nine thousand[41] who died in that struggle with the losses sustained in the last intercolonial war in respect to their relative population, then we can form some idea of the reactions of the colonial people and the universality of their bereavement. In 1760 the colonies had a population of two million spread along the seaboard; in 1920 the United States had one hundred and five million people.

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[40] History of the United States—Hildreth, Vol. II, p. 500.

[41] America's Part in the World War—Beamish and March, p. 228.

B. Evolution of the American Nation

NATIONHOOD MOLDED IN THE CRUCIBLE OF WAR

That sanguinary nine years of struggle through which the colonies emerged in 1763 had left the mark of maturity upon them. Competent observers on both sides of the Atlantic already recognized that sooner or later they would insist upon severing the strings which tied them to the mother country and establish a political household of their own. The time had passed when the colonies would bend to the whim or the policy of London.

Some writers are inclined to ascribe a mystic significance to the acquisition of Canada by England. The romanticist Bancroft subscribes to the too-easy explanation that the fear of French incursions on its borders and of the French navy on its coast had reconciled the colonies until then to English suzerainty.[42] But it is astonishing to see Beer re-echo that thought in modern days.[43] From a purely military and naval standpoint the colonies had not much to gain by the replacement of the British for the French in Canada, as they were to discover subsequently through Burgoyne's campaign and the blockade of their coast by the English fleet.

History, unfortunately, is not susceptible of such single-track explanations. Many factors co-operated in bringing about the movement for independence. These we shall presently summarize. But first let us see the results of this final conflict between England and France in the New World.

How utterly the colonies were but another pawn in the great world-wide stakes for which those antagonists were battling was observed in the terms by which the conflict was ended. A million men had laid down their lives in the service of their respective nations on numerous battlefields. In Europe the peace negotiators agreed that each side was to revert to the position before the war, while the colonial prizes of war were to be the subject of future negotiation. The French knew little of America and her statesmen evidently cared even less. A minute fraction of the blood and wealth they scattered with such prodigality on scores of European "fields of honor" would have been sufficient to hold for France their vast American empire.

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[42] History of the United States—Bancroft, Vol. II, p. 595; Vol. III, p. 305.

[43] British Colonial Policy—1754-1765—Beer, pp. 171-4.

With a flick of the finger the French negotiators gave to Spain the whole of Louisiana to compensate her ally for the losses sustained in the struggle. The Mississippi basin east of that river went to England. So upon England's choice Canada was surrendered willingly for Guadeloupe, since the West Indies trade was much more lucrative to France than was the dabbling in furs with a handful of savages. In fact, English merchants were convinced that France got much the better on that deal.

But in reality the British negotiators were precluded from making any other choice. After all the blood and treasure which the colonies had expended in its reduction they were in no mood to see Canada returned to their ancient enemy. "Pitt had proclaimed the ruin of France's power in America as the chief end of the war," wrote Professor Wrong, "and a bolder man than Pitt—and none existed—would have been needed to change that policy." [44]

So ended the French empire in America after two hundred years of intermittent effort characterized by exploits of daring and courage which will always excite the warmest admiration among the students of that profoundly moving record. Only through miracles of hardihood and fortitude could it have survived so long in the uneven combat with its more colonially-minded antagonist.

Some few among the last remaining French colonial leaders were put on trial in France after the war to explain their stewardship. The details are of no moment at the present time. But the conclusions arrived at during the earlier part of this analysis are abundantly supported by the formal findings of fact. All the defects of the French colonial policy were remorselessly exhibited in the anguish of soul-searching which followed the national defeat.

Among them was the division of authority between an absolutist governor and an absolutist intendant appointed by the same Paris authority to watch over the governor; the error of restricting immigration to those of the Catholic faith; the stagnating influence of the clergy; the power of the feudal seigneurs; the neglect of industry and agriculture; the evils of the fur trade; the general ignorance of the people.[45]

Among the more culpable of the colonial administrators some were beheaded; others were consigned to the Bastille; but the real culprit was left untouched. That was the feudal absolutism which dominated French life and stifled individual expression unless it be that of instinctive submissive and blind acquiescence. A more powerful force than alleged superior English resources was needed to deal with this national disease. The National Assembly of 1789 was to supply that essential element in France's re-awakening.

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[44] The Rise and Fall of New France—Wrong, Vol. II, p. 879.

[45] The Rise and Fall of New France—Wrong, Vol. II, pp. 880-1.

RUMBLINGS OF THE GATHERING STORM

American history from 1763 to 1775 pursued a course of gathering crescendo to the climactic outburst with the same certainty that is so obvious, but nonetheless impressive, in the final action of a well-worked out drama. The drama of history is seldom the conscious product of its players whose action may be shifted to suit their convenience, their histrionic ability, or the intentions of the author. The dramatist develops his closing scene by scrupulous fidelity to the nature of the human forces he has called forth in the substance of the play. In history a complex of social forces are developed from the nature of the social relations as they are determined by the social structure. These cannot be arbitrarily shunted around like the actors on the stage; even the freight-yard locomotive's twisting and turning is determined by the relations of physics, equipment and objectives.

Beer writes that "the movement toward independence dates from the very foundation of the colonies"; [46] a vapid, unenlightening generalization. He ascribes that as due to the extreme individualism of the immigrants whether they came from England, Scotland, Ireland or from continental Europe.

Individualism is not the magic word which explains everything in this very complicated historical drama. It is not a product of a generation or of a century; and if hard-pressed, Beer would experience considerable difficulty in explaining just what he means by that term. Australia, for example, has been settled by similar immigrants of an essentially similar strain, yet the movement for independence among them is unnoticeable; though probably for the same reason that the Filipinos with Japan in mind now look with some anxiety to 1946 when that boon will be conferred upon them. India to-day has such a movement, much to the discomfort of the English authorities who cannot explain away why the well-known propensity of Englishmen to yearn for their freedom should be discountenanced among Hindus. The dogma, by the way, is flatly contradicted by the facts of Canada and the English influence in South Africa.

[46] British Colonial Policy—1754–1765—Beer, p. 161.

Historical conditions as they are determined by a multitude of limiting factors in a given field of operation must supply the answer to these apparent conundrums of history. Distance is not a decisive factor, nor are the abstract theories of constitutional organization when divorced from all relation to time and space.

To state, as does Beer, that the movement for American independence was incipient in the first settlement is about as informative concerning its subsequent development, as would be the statement that one's path to the grave begins with the moment that he emerges squealing into this vale of tears. Biography, like history, requires the essential details between this beginning and the end.

Beer contends that the stiffening of the British colonial policy after 1763 was ill-timed.[47] Anything Britain could have done after that date would have been equally ill-timed and ill-advised. There comes a time in the history of a people when it no longer is a question of right against wrong, but of a developing right as against an existing right. No matter what Britain would have done would have been either not enough or too much, or the wrong thing, or the right thing at the wrong time. The fact remains that whether the peoples of that time knew it or not—and neither the colonists nor the English leaders in the main were aware of it—all the elements of a new nation had developed during the past hundred years, and now there awaited only the favorable opportunity when that independent national status was to be asserted.

The impartial student of events as they unfolded between the termination of the fourth intercolonial war and the beginning of the Revolutionary War must be impressed by the British willingness to compromise upon everything except the surrender of its sovereignty over the colonies; while the intransigent attitude of the colonists could only be explained by recognizing that they were moved by the irresistible momentum of forces long gathering which could not be satisfied with anything less than freedom. We will now consider the general scope of those developments, reserving for the concluding pages of this discussion the summary of the social forces which had been so long in developing until finally they could no longer be denied.

ENGLAND EMERGES AS THE DOMINANT WORLD POWER IN 1763

England in 1763 emerged as the most powerful colonial empire in the world. Among the prices paid for that achievement was a staggering national debt amounting to 140,000,000 pounds[48] incurred chiefly for the prosecution of the two preceding wars which had achieved for her the huge accretions of empire. Such obligations are more readily incurred than discharged. In 1776 Adam Smith calculated the debt as still around 128,000,000 pounds.[49]

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[47] British Colony Policy—1754–1765—Beer, p. 160.

It was this fact which led that great thinker to defend the justice of his country's cause during the Revolution. "That public debt," argued Smith, "has been contracted in the defense, not of Great Britain alone, but of all the different provinces of the empire; the immense debt contracted in the late war in particular, and a great part in the war before, were both properly contracted in defense of America." [50] Therefore, he urges, "it is not contrary to justice that America should contribute towards the discharge of the public debt of Great Britain." [51]

In our analysis of the intercolonial wars, beginning with the crusade of Louis XIV in support of the exiled James II, to the war of the Spanish succession, to that of Jenkins' Ear and the Austrian Succession, and to the final conflict settled by the Treaty of Paris in 1763, we have been able to demonstrate that in every one of them the affairs of the American colonies were merely incidents in a much larger game, and that English statesmen did not hesitate to bargain and compound those local interests whenever in their opinion it would best serve the larger interests of the Crown.

It is one thing to expend monies directly for a definite purpose; it is a far different matter when these expenditures are merely incidental to other objectives, among them being the frank exploitation of the American colonies themselves in the interests of the mother country. It is quite possible that the American colonies would have been indifferent to the fate of Jenkins' ear, or as to who should be the successor to the Spanish and Austrian thrones. It is also within the realm of possibility that the colonies in the South as well as in the North would have settled their score with France at their own good time and in their own way; as when she would again be too much embroiled in the intermittent wars of Europe to extend help to a hopelessly outnumbered outpost in the New World.

ADAM SMITH'S SPECIAL PLEADING ON ENGLAND'S WAR DEBT

However that may have been, one thing is certain: England's war debt was incurred in England's best behalf, and not in that of the

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[48] History of the United States—Hildreth, Vol. II, p. 516.

[49] Wealth of Nations—Smith, p. 882.

[50] Ibid., p. 897.

[51] Ibid., p. 896.

American colonies. Smith's appeal to natural justice is but another evidence of the fact that the philosopher yielded to the patriot when the vital interests of his country were at stake. Proof of this virtuous defect is observed when Smith the economist condemns the Navigation Acts as prejudicial to England's development,[52] and at another point Smith, the English patriot, defends the selfsame Acts as essential to his country's defense and prosperity.[53]

So to-day we observe that one of the defenses interposed for England's economic policy in India is that of the necessity of providing for its defense to which, in full justice, it should contribute its share. The sheer apologetics of that contention is exposed when we observe that India's affairs are inextricably bound to England's orbit, instead of pursuing its own best course.

Yet hollow as this justification of colonial taxation as a military contribution is proven to be upon closer examination, it has not failed to find modern supporters of this pharisaical thesis. The issue is not whether defense would have been cheaper as part of a powerful empire, but whether the merits of independence should be considered on the basis of that single yardstick. Thus Beer defends the official British thesis, and raises serious doubts concerning the ability of the colonists to have defended themselves adequately in the Fourth Inter-Colonial War.[54] At least Adam Smith is generous enough to concede the soldierly qualities of those American veterans,[55] while the enormous preponderance of their resources could not but have encompassed the eventual doom of the French colonial empire in America.

COLONIAL LAND SPECULATORS

Upon the conclusion of the war in 1763 which brought with it the addition of territory to the Crown from the crest of the Alleghenies to the left bank of the Mississippi, a proclamation was issued closing the trans-Allegheny country to settlement. This was intended more as a stop-gap in order to allow for the formulation of a definite policy in London, as well as to prevent that immense domain from falling into the hands of speculative land companies which were blossoming with the aid of powerful backers in America and in Britain.[56] Nevertheless it proved beyond question which was the dominant power in whose interests American resources were to be developed.

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[52] Wealth of Nations—Smith, p. 562.

[53] Ibid., p. 429.

[54] British Colonial Policy—1754–1765—Beer, pp. 267-270, 309-11, 314.

[55] Wealth of Nations—Smith, p. 663.

[56] British Colonial Policy—Beer, p. 316.

Among these land speculators were Washington, Lee, and William Franklin who was aided in his designs by his father, Benjamin Franklin. The opprobrium now attached to that form of business enterprise did not exist in those days, though the crux of the issue then related to the extinguishment of the Indian titles and the terms to be granted by the Crown to settlers.

However, the common-sense instincts of the backwoodsmen decided the question over the proponents of business enterprise along formal capitalistic lines. These settlers simply swarmed over the Appalachian barrier and squatted upon the soil, leaving to future surveyors and government agents the task of legitimatizing this initiative of their own. Nevertheless not a few powerful figures here at home brooded over the interference of a distant government with their prefectly proper business activities. The territory already had a thriving population when the London government five years later withdrew the Proclamation of 1763 against its settlement.

ENGLAND'S RESOLVE TO ENFORCE ITS NAVIGATION ACTS

England's Sugar Act was an attempt to strengthen the navigation laws, long a dead letter with reference to the thriving smuggling trade in molasses with the West Indies. The publication of the order to enforce the Molasses Act caused more alarm in Massachusetts than would the report of a major military disaster, on the word of its Governor, Bernard.[57] So well it might, since that was its most thriving industry.

On purely legalistic grounds England's case was unassailable. Yet nothing illustrates so perfectly the artificial nature of abstract principles as the fact that only England's law enacted in its own self-interest, made a perfectly natural trade from the standpoint of the colonists illegitimate in English eyes, and branded as law-breakers those whose enterprise would have been most praiseworthy did the colonies, and not England have the power to frame or to rescind that obnoxious legislation. Schlesinger concedes that while the case of the colonists was hopeless on the moral issue,[58] smuggling was the inevitable outcome from the economic aspects of the trade in question.[59]

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[57] The Colonial Merchants—1763–1776—Schlesinger, p. 48.

[58] Ibid., p. 45.

[59] Ibid., pp. 249-253.

On the legal side, English officials were justified in resorting to writs of assistance involving search and seizure. Otis' argument that the writs struck at the liberty of the individual might have been bad law, but that did not prevent his sentiments from arousing widespread public support.[60] When a law no longer commends itself to the support of an essentially law-abiding people, that is the best possible proof not that the people have changed, but rather that the conditions which created the law have passed away, and that the law no longer reflects the actualities of the existing historical situation. Once again Beer attempts to minimize the new issue thus created by the statement that the tax was light and its economic significance should not be overestimated.[61] History affords abundant evidence, to the glory of the human race be it said, that not all issues are susceptible of being resolved by the sole criterion of the balance in the monetary scales.

Strict enforcement of the Navigation laws meant greater business for the admiralty courts. The Courts of Vice Admiralty were established in 1697 as part of the legislation enacted the previous year by Parliament in furtherance of its commercial policy. Naturally they were looked upon with suspicion by the colonists, particularly when they were empowered to try cases without a jury. In equity jurisprudence that was no radical departure in principle, and those courts formed the basis later on for the establishment of United States District Courts.[62]

London promulgated a new regulation allowing the removal of admiralty cases to Halifax, because, as it was frankly admitted, it was impossible to try them in the colonies. At first glance it would appear that there was full justice for England's stand, but as a matter of fact, as early as 1765 England by that act confessed its inability to govern the colonies by maxims of equity.[63]

When the mother country proposed to remove those cases to a distant town, it was an open admission of the existence of an irreconcilable difference between her and her offspring. Ordinarily when a law is impossible of enforcement, it either falls into disuse or its disrepute compels its outright repeal. England could not afford to do either and still maintain her colonial policy; while the colonies on their part were compelled to accept with sullen contempt the opprobrium of being a lawless people because public law was no longer in consonance with public interest. The only articulate part

[60] The Colonization of America—Bolton and Marshall, p. 429.

[61] British Colonial Policy—1754–1765—Beer, p. 293.

[62] History of the United States—Hildreth, Vol. II, p. 198.

[63] British Colonial Policy—1754–1765—Beer, p. 290.

of the so-called public which counted for much in those days was predominantly that of the merchant class.[64]

THE STAMP ACT PHASE OF ENFORCEMENT OF COLONIAL POLICY

England's developing policy was clearly disclosed by the passage of the Stamp Act. In its preamble there was the distinct statement that the purpose of the revenue was to defray the expenses of protecting the American colonies.[65] It must be admitted that England's astute statesmen chose the most defensible ground for levying a direct tax on those who could best afford to stand the burden, for obviously the legal and commercial documents for which the stamps were required were the customary details of the business interests. But it was precisely this group which responded to the alarm with such amazing alacrity. A principle once firmly established is very difficult to dislodge, and therefore effective protests had to be made before the policy became fixed.

Now no one seriously contended that the sovereign power when exercised through properly enacted laws of Parliament could not assert the essence of sovereignty, which is the power to raise revenue for its support. Nevertheless the reaction of the colonies against this tax was electric, indicating that far more subtle and subterranean social forces were in play.

Samuel Adams introduced, and the Massachusetts House of Representatives adopted the resolution: "That the imposition of duties and taxes by the Parliament of Great Britain, upon a people not represented in the House of Commons, is absolutely irreconcilable with their rights." [66] A pamphlet written by Otis was officially approved, with the sentiment that "if we are not represented, we are slaves." William Pitt came to the defense of the colonies on this principle, though on a division in the House of Lords, only four peers supported him. Pitt did not even try for a division in the Commons, so hopelessly was he outnumbered.

In the colonies, this abstract constitutional principle was received with acclaim by their Assemblies. Connecticut followed in the footsteps of Massachusetts, as did Rhode Island; while New York's resolution of protest was so warmly worded that no member of Parliament subsequently could be found to present it before that body as a petition. The Virginia Burgesses composed of its pure-blooded aristocracy appointed a committee of distinguished lawyers to draw up a remonstrance to be presented as a memorial to king and Parliament, while Patrick Henry used the occasion for the famous utterance on taxation and treason now embalmed in every school text on colonial history.

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[64] The Colonial Merchants—1763—1776—Schlesinger, pp. 28-30, 105, 114, 117-118, 240.

[65] British Colonial Policy—1754–1765—Beer, p. 285.

[66] History of the United States—Hildreth, Vol. II, p. 521.

CALL FOR A CONTINENTAL CONGRESS

Meanwhile the Massachusetts General Court decided to call upon its sister colonies to meet in a general convention on a date certain at New York to consult upon the problems raised by this new departure in colonial taxation. The intercolonial wars had taught them the uses of such a convention then at England's request, and now the mother country was to be afforded an opportunity to gauge the historic consequences of her own practical policies in the hands of those to whom she herself had preached the uses of co-operative action.

Early in New England's history Massachusetts had gathered her children about her in a Confederation for mutual defense and the furtherance of their general welfare. Toward the end of the seventeenth century English policy under the last Stuart sought for its own purposes to destroy colonial autonomy and effect a single administrative unit for all the territory north of the Delaware. During the course of the long struggle between France and England for the hegemony of North America, the colonies were stirred on to united action in behalf of the mother country, and in furtherance of their own immediate interests. This the colonies did time after time in matters which far transcended the demands of their present concern, to the furtherance of the larger aspects of British imperial policy.

True, they were also serving themselves; but by the same token they could not be expected to indulge policies which went contrary to interests that vitally concerned them. The Albany Convention which was the forerunner of the Seven Years' War was an outstanding example of colonial co-operation on a continental scale for purposes where their political interests coincided on the whole with those of the mother country. The size of their contribution to the common cause in both blood and treasure had clothed the colonies with a sense of new dignity. They had become fretfully aware of their emergence into some different status upon the termination of that conflict; though what that status was, neither they nor the authorities in England could clearly discern. The entire course of

British policy during the ten years preceding the Revolution was characterized with singular restraint and the spirit of compromise. But there was one issue upon which compromise could not be had, and that was on the question of British sovereignty versus American independence, though few then in the maze of petty details discerned the true nature of their irreconcilable differences.

THE STAMP ACT CONGRESS AS THE HARBINGER OF REVOLUTION

Pursuant to the call of Massachusetts the colonies sent delegates to the convention which met in New York in October 1765. Some of them, like Virginia and North Carolina were not formally represented because their Assemblies had not convened to choose delegates. Georgia sent a messenger subscribing to the general purposes of the body. In the opinion of Green this Congress was the beginning of the American nation.[67]

The Stamp Act Congress proceeded to draw up a Declaration of the Rights and Grievances of the Colonies, dwelling mainly on the right of trial by jury in opposition to the extension of admiralty jurisdiction, claiming the privileges of Englishmen as their birthright, and insisting upon the right of being taxed only by their own consent.[68]

It is interesting to note that at the same time the Congress specifically opposed any idea of direct representation in the British Parliament as impracticable, insisting that such representation should be in local colonial legislatures. "Thus," wrote Hildreth, "was given a flat negative to a scheme lately broached in England by Pownall and others, for allowing to the colonies a representation in Parliament, a project to which both Otis and Franklin seem at first to have leaned." [69]

This proposal at one time was seriously considered by Grenville who debated the advisability of coupling with the stamp tax measure a provision for American representation in Parliament.[70] However, as one member of the Board of Trade put it, no man is taxed by his own consent, least of all an Englishman; [71] and as for the justice of taxation without representation, that great champion of colonial rights, James Otis, conceded that not one-tenth of the people of Great Britain had a voice in elections to Parliament.[72]

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[67] History of the English People—Green. Vol. IV, p. 227.

[68] History of the United States—Bancroft, Vol. III, p. 513.

[69] History of the United States—Hildreth, Vol. II, pp. 530-1.

[70] History of the United States—Bancroft, Vol. III, p. 411.

[71] Ibid., Vol. III, p. 441.

[72] Ibid., Vol. III, p. 427.

RELATION BETWEEN THE NEW IDEOLOGY AND THE POLITICAL NEEDS OF THE BUDDING NATION

Modern writers are agreed that there was little merit to the purely legal aspect of the taxation controversy. The course of Pitt's argument on that score is unconvincing. "Taxation," he argued, "is no part of the governing power. The taxes are a voluntary gift and grant of the Commons alone," [73] and since the colonies are not there represented, the Commons is voting away the property of the American colonists.

Problems of government, which involve the existence of the state, are not controlled by the divagations of logic but by the necessities of a situation where logic serves as an aid, and attempts to refine or explain away differences without yielding the essence of power. No one questions the tremendous political implications in such a highly emotional generalization as "taxation without representation is tyranny." The Parliament at Westminster explored the practical aspects of this question quite thoroughly, and were moved to reject —as did the colonial Congress—on grounds of expediency rather than on principle.[74] Nor were the colonies so unreasonable as to reject, in theory, all taxation by the mother country.

R. G. Adams analyzes three distinct phases in the evolution of colonial thought on that subject. At first the colonies drew a distinction between external taxation in the form of custom duties, which they admitted was within the taxation powers of Parliament, and internal or excise taxes which they denied Parliament had the right to levy.

In the second phase of this prolonged dispute, Parliament was conceded the power to regulate the trade of the empire, but denied the right to levy taxes, external or internal. In the final stage of debate, Parliament was denied the right to legislate over the colonies on the ground of lack of representation, while the very representation they asserted, they were equally resolved not to accept in the event such an offer should be extended.[75]

Samuel Adams even went so far as to claim that the American colonies had never generally acknowledged the taxing authority of Parliament, though they had tacitly acquiesced to its assertion in the Navigation Acts insofar as they did not succeed in evading them.[76] A host of colonial pamphleteers, orators, full-fledged lawyers and embryo statesmen argued these questions with considerable warmth and not inconsiderable learning, to earn for the colonists the reputation of being extraordinarily adapt in the lore of constitutional construction.[77]

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[73] Bancroft quotes over ten pages of that memorable address in Vol. III, pp. 539-551.

[74] Political Ideas of the American Revolution—R. G. Adams (1939), p. 29.

[75] Political Ideas of the American Revolution—R. G. Adams (1939), p. 69.

[76] Fundamental Law and the American Revolution—1760–1776—Mullett (1933), p. 183.

It is one thing to pay a deserved tribute to the colonial lawyers of that time; it is a far different matter to endow them with the virtue of revolutionary leadership, as do Schlesinger,[78] Beard [79] and others. Among the professional groupings of society the legal profession on the whole is found to be the bulwark of the existing order, and the very fact that in the decade preceding the Revolution lawyers were generally found at the forefront among the colonist's champions is proof, not that they were the leaders of society, but on the contrary, that the colonists had so far advanced that the professional spokesmen of the existing dominant order merely re-echoed in more fluent language and mellifluous tone the deep seated convictions of the leaders of society who in the main were their self-same clients.

Lawyers in fact were looked at with suspicion among the people, and not without justification, from the earliest inception of the colonies. It is a trifle absurd therefore, for historians to follow Burke's rhetorical flourish and subscribe to a lawyer's interpretation of history. On the score of the ill-repute in which colonial lawyers were generally held there are several interesting passages in Hildreth's work as noted.[80]

All those fervent appeals to abstract principles based on inalienable rights were not the concoction of scheming minds; quite the contrary. History affords abundant evidence that men warmly embrace these ideologies to the extent of pledging in word and in deed as did many an influential colonist, his life, his fortune and his sacred honor in their defense. But historians must search beneath the apparent motivations for the deep-seated, underlying social forces which bring those abstractions to the surface.

These ideas are in full truth themselves part of the social conditions which form the stage business of the time. Those opinions expressed at a time when the historical conditions had not made men's minds receptive to them would have won for their advocates the doubtful honor of martyrdom. So a century later was Lloyd Garrison mobbed and dragged through the streets of Boston for having advocated abolition of slavery a generation before the very sons of this mob were marching off to the battlefields of the South.[81]

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[77] Ibid., pp. 134-7.

[78] The Colonial Merchants—1763-1776—Schlesinger, pp. 27-70.

[79] The Rise of American Civilization—Beard, Vol. I, pp. 100-2.

[80] History of the United States—Hildreth, Vol. I, p. 275, Va. denies them fees; Vol. II, p. 392, lawyers refuse to defend victims of mob mania; Vol. III, Lawyers oppose actual independence, pp. 184, 380; as speculators in public debt, Vol. III, pp. 466-7; Vol. IV, p. 345, form reactionary clique of ruling class.

When Jefferson, Samuel Adams, Otis, Iredell, Wilson, Hamilton, Paine, among many others [82] appealed to the natural rights of man, with infinite variation as to theme, gesture and expression, they were serving notice that the existing juridical relations between the colonies and the mother country were no longer in consonance with the actualities of the new historical situation. These men were serving notice each in his own way that a new set of conditions had come into existence which rendered the old political ties irksome, and that the situation of dependence had become intolerable to a people in whose veins coursed swiftly the throbbing blood of self-conscious national maturity.

DEFICIENCY OF SINGLE-TRACK THEORIES CONCERNING THE CAUSES OF THE REVOLUTION

It is one thing to recognize the relation which exists between man's ideas and the material world of which he is a part; it is a far different matter to translate these material conditions of existence into the economic interests of the moment, and to ascribe to this motive the preponderant role in history. That is exactly what Schlesinger does. He quotes in support of this thesis from a "remarkable letter" written by the New York Committee of Correspondence two months after the Boston Tea Party to show that its opposition to the tea tax was not based upon abstract notions of eternal rights, but upon the present fear that the same policy would be extended to spices, silks and other imports. "In view of the subordinate place which the argument of violated rights held in the minds of the propagandists," writes Schlesinger, "protests against 'taxation without representation' were made chiefly for rhetorical effect. This may be shown by a few examples." [83] And then follows several other such incidents in the same general tenor.

This over-simplification of history leads inevitably to super-sophistication. Probably the very same correspondents whom Schlesinger quotes, or the majority of them, when the critical choice had to be made, forgot that they were of the genus Economic Man, but belonged rather to the species Political Man, and threw their economic interest to the wind in the ecstasy of espousing a noble cause, to the discomfiture of the economic interpreters of history who are legion in every age. And likewise many merchants espoused the Tory cause to suffer humiliation, ostracism and finally confiscation of their property.

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[81] History of the People of the United States—McMaster, Vol. VI, pp. 284-5.

[82] Fundamental Law and the American Revolution—1760–1776—Mullett, pp. 176-191.

[83] The Colonial Merchants—1763–1776—Schlesinger, p. 273.

This mania for canalyzing history leads necessarily to the search for some original thesis on the part of the aspiring candidate for the doctorate. R. G. Adams frankly admits that urgent necessity [84] as an excuse for his observations on the American revolution. He undertakes to disprove Governor Hutchinson's ideas on the sublime origin of government and the ethical nature of human rights. It is all economics, the universal solvent of historical conundrums. "It is more and more coming to be recognized," Adams asserts, without troubling to prove it, "that the rise of the British Empire can to a very large extent be told in terms of chartered trading companies. What were these companies? Attention has already been called to the fact that the science of corporations is akin to the science of commonwealths." [85] Here we have the start from "more and more," its evolution to "a very large extent," and so to the startling akinness of things in general, and all in the name of scientific exactitude.

Apparently these earnest seekers for the Ph. D. forget that the essential purpose of science is not to mystify but to clarify. The worst possible form of demonstration is by half statement with ample room for sidestepping, and convenient exits should retreat be necessary and have to be expeditiously undertaken. R. G. Adams could not get far in his analysis of the concept of the state without being involved in a maze of his own contradictions while attempting to present his new science of commonwealths from the evolution of chartered companies. Broadly speaking—he argues with that engaging directness—the first Britannic self-governing dominions sprang from charter companies, and their charters formed the basis of their constitutions. Since these charters were grants from the King or Parliament, the commonwealths to which they gave rise must necessarily be subject to the power of the grantor.[86]

Even Adams shrinks from the implications of applying Euclidean principles to the analysis of historical realities, wherein his prudence is more to be commended than his judgment. The principle of sovereignty is not deducible from either natural or positive law,[87] in the particular situation under consideration, but from firmness of the popular will as expressed by the Stamp Act Congress in 1765, and the determination of the people to support their cause

[84] Political Ideas of the American Revolution—R. G. Adams (1939 ed.), preface.

[85] Ibid., p. 154.

[86] Ibid., p. 155.

[87] Ibid., p. 177.

with arms in hand—that ultimate arbiter between all abstract principles of right and justice when thus stoutly upheld.

SABOTAGING ENGLISH SOVEREIGNTY

As to the firmness of the popular will, the Congress gave ample evidence of their resolution. The commercial classes and their theoretical spokesmen agreed upon a program of non-importation and non-consumption of British goods until the hateful Stamp Act was repealed. The agreement was not generally observed, but as the figures of the London Custom House showed there did follow a thirty per cent decline in the value of exports to the colonies,[88] rising subsequently to fifty per cent in New England.[89]

Protests by British merchants and manufacturers gave strength to Franklin's reasoned factual statement before the House of Commons on the causes of colonial dis-affection in language which practical men could readily understand, and this testimony offered Schlesinger another opportunity to emphasize the economic basis of the American revolution.

THE MASSES FORM THE BULWARK OF OPPOSITION TO ENGLAND'S RULE

Unlike other simplifiers of historical forces the same writer is compelled to admit that it was from the masses of the people, the carpenters and boot-makers and small-town mechanics that the cause of the colonies obtained its most stalwart and consistent defenders.

As the final lines were being drawn, it was the majority of merchants who drifted off to the British viewpoint,[90] while the popular leaders whose unerring instincts were heading toward the goal of independence were dubbed with the opprobrium of being radicals. It is interesting to note that on the eve of the Revolution when the first Continental Congress met at Philadelphia, the delegates declined with thanks the invitation of Pennsylvania to assemble in the State House, but resolved to hold their sessions in Carpenters' Hall, a decision "highly agreeable to the mechanics and citizens in general." [91]

To the mechanics, according to the economic determinist school, it ought to have made very little difference whether they got their pay from a master who owed his allegiance to a British King or to a Continental Congress. Yet it was the Solemn League and Covenant movement supported by the masses and hated by the merchants that gave spirit and virility to the revolutionary cause in the dark days of 1774 when the propertied classes were wavering, and seeking refuge in their natural ally, the British government.[92] "Thus began the conflict of two parties which were to increase in importance and spread throughout the country," wrote Bancroft. "The one held to what was established, and made changes only from necessity; the other welcomed reform, and went out to meet it. The one anchored on men of property; the other on the mass of the people; the one, mildly loving liberty, was ever anxious for order; the other, firmly attached to order which it never doubted its power to maintain, was anxious only for freedom; the one distrusted the multitude as capable of rashness; the other suspected the few as at heart the enemies to popular power." [93] In this rhetorical language the literary but observant Bancroft gives expression to a profound historic fact: the emergence of a new self-conscious power for the first time on the stage of world history—*The People.*

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[88] The Colonial Merchants—1763–1776—Schlesinger, pp. 82-3.

[89] Ibid., p. 182.

[90] Ibid., pp. 309, 332-5.

[91] Ibid., p. 411.

EMERGENCE OF THE PEOPLE AS A FACTOR IN HISTORY

Bancroft describes the event without knowing what brought it into existence. Economic determinists scoff at it, because their cynical self-complacency is unable to explain this new phenomenon, which was the real crux of the revolutionary situation. Schlesinger devotes six hundred pages to the colonial merchants of 1763-1776; he gives less than six pages to the colonial masses who admittedly were the leaven in the development of this stupendous historic situation.

Nor was this movement confined exclusively to the New World. The rumblings of a revolutionary volcano were already being heard in France, albeit its only articulate voices were those of philosophers and writers whose works necessarily were read only by the intelligentsia, while in England the mass discontent which John Wilkes used for his own purposes [94] was eventually to succeed in democratizing the English Constitution.[95] For Parliament was yet to become an instrument of the popular will.[96]

Few indeed among the statesmen and leaders of thought of the contemporary Western civilization were consciously aware of this significant social revolution which was unfolding before their eyes. In Boston, in New York, in Rhode Island merchant leaders who were instrumental in calling forth this new ally, The People, to aid them in defeating the stamp tax were now petitioning their various Assemblies for redress and compensation due to the losses they had sustained in the popular riots against the law's enforcement.[97]

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[92] The Colonial Merchants—1763–1776—Schlesinger, pp. 313, 319, 322-3, 326.

[93] History of the United States—Bancroft, Vol. IV, pp. 356-7.

[94] History of the English People—Green, Vol. IV, p. 215.

[95] The Evolution of Parliament—Pollard, pp. 337-340.

[96] Constitutional History of England—May, Vol. II, pp. 126-9.

Schlesinger and other writers of the economic determinist school were too intent upon the economic phases of the pre-Revolutionary developments to appreciate the importance of the people's emergence from the background of history, where they had always been the hewers of wood and the drawers of water and the carrion with which to fertilize the fields of honor in myriad battles fought in their masters' behalf. Yet when the merchants began to show evidence of repentance and to withdraw from the struggle they were instrumental in organizing, it was the carpenters, the shoemakers, the blacksmiths[98] and their kind who seized the banner of progress from their faltering hands to lead on to victory under the inspiring leadership of men they themselves had produced; called forth, some from their own ranks, but many also from the aristocracy and the intelligentsia who put honor and glory before the grosser things in life.

Schlesinger recognizes, of course, the important role played by Virginia and her planter-aristocracy in forwarding the revolutionary cause, but he is compelled by the limitations of his theory of history to assert that their primary motivating impulse was to renege on their debts due to English merchants.[99] He is generous enough to concede that some colonial merchants did espouse the popular cause.[100] But to minds that are incapable of finding a rational explanation for the many-sided motivations of human conduct in the analysis of events possessing historical significance, these exceptions are to them only so many delightful illustrations of the unpredictability of human nature. This point has been fully covered in our previous analysis of the distinction between the nature of individual motivations and the social forces in history.

THE IRRESISTIBLE MOVEMENT OF REVOLUTIONARY FORCES

Classical historians could not but perceive that the years 1765-1775 were bound together by some mysterious force which led to the outbreak of the Revolution despite all that well-intentioned English statesmanship could do to prevent the separation. We are too much influenced by our school-text histories to study objectively the developments of those fateful years.

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[97] History of the United States—Bancroft, Vol. IV, pp. 23-4.

[98] The Colonial Merchants—1763–1776—Schlesinger, pp. 432, 476, 509, 550, 552.

[99] Ibid., pp. 35-7, 39, 600-1.

[100] Ibid., p. 604.

An example is the passage of the "Quartering Act" in 1765 whereby the British cabinet resolved to send a permanent garrison of ten thousand men to the colonies.[101] As the responsible heads of a great empire they would have been singularly derelict in their duty did English leadership not take adequate steps for its protection from internal as well as external enemies. The very fact that such a force was now thought necessary proved in terms more expressive than the keenest logic that a divisive spirit of considerable magnitude was existent in the colonies, and that appropriate measures for imperial self-defense had to be taken by those entrusted with the solemn obligation of authority.

That the colonists themselves clearly perceived through the camouflage of the English contention that the defense intended was for the colonies against some unmentioned enemies, is evidenced by the storm of protest that this strategic move aroused among them. Very properly they considered this display of force as a measure to overawe the malcontents. Yet neither side could openly avow their real fears. Consequently the colonial protest took the form of opposition to an unwanted military establishment for which they had to find quarters, fire-wood, bedding, drink, soap and candles.[102]

On these grounds there was no merit to the colonial opposition, since they were to be paid by the British quarter-master, and no barracks existed for the housing of such a force. The Declaration of Independence, however, placed the issue in its true light by the ringing protest against keeping among them, in times of peace, a standing army without the consent of their own legislatures. That was the very crux of the issue as it was developing, for if England were to concede the necessity of obtaining such consent before acting, she would by that act have recognized their substantive independent status.

LOGICAL DILEMMA IN THE CLASSICAL INTERPRETATION OF THE REVOLUTION

Far from condemning its responsible statesmen, historians rather should recognize in that act a prudent measure for the conservation of the British empire in North America. The same can be said for the suspension of the New York charter[103] and the threatened suspension of Massachusetts' charter.[104] No sovereign authority such as England asserted over its colonies could long survive the open and impudent defiance of its power.

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[101] Colonization of North America—Bolton and Marshall, pp. 434, 450.

[102] History of the United States—Hildreth, Vol. II, p. 525.

So likewise was denounced here the attempt to arrest the ringleaders of the colonial masses and send them to England for trial.[105] To insist upon trial by jury with one breath, and in the very next to protest a change of venue because no fair jury could be obtained in the new jurisdiction may appear as a perversion of logic to the Euclidean school of historians; but then they assume what they cannot prove, namely that men are governed in their actions solely by the rules of reason. Once again we recognize both in the English insistence upon the transfer of leading malcontents to England for trial, and the colonial demand for trial in the vicinage, the existence of an irreconcilable cleavage where each was resolved stoutly upon viewing only its side, and as stubbornly refusing to look at the reverse of the same medallion.

Of the same nature was Parliament's determination that American debtors to English merchants shall not settle their obligations in depreciated paper currency. The history of paper emission by the colonies dates from the beginning of the imperial colonial wars. In fact, it can be said to have become a definite government policy for the first time anywhere in the world among these thirteen colonies,[106] although Adam Smith points out that on the international market, regardless of what the colonists did about their internal debts, external obligations had to be settled on a gold and silver basis.[107]

Nevertheless abuses of paper emission became so devastating to normal business intercourse that some form of regulation from London had become absolutely necessary. Colonists were great importers of capital and consumption goods, and "their annual returns frequently did not amount to more than a third, and sometimes not to so great a proportion of what they owe." [108]

From the standpoint of current business ethics England's stand was thoroughly justifiable. We saw, however, that much could be said for the colonial side, which felt itself hampered by all sorts of commercial restrictions. Each felt perfectly justified from its own view of the argument. In an issue of this character it is not abstract justice but the relative position of the contestants that decides. The very fact that the colonies resisted limitations upon their authority to regulate its currency and settlement of debtor obligations[109] proved how far they had gone on the road to independence without having legally achieved that status.

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[103] Colonization of North America—Bolton and Marshall, p. 438.

[104] History of the United States—Bancroft, Vol. IV, p. 153.

[105] Ibid., Vol. IV, pp. 142, 192.

[106] Colonial Money Supply—Nettels, p. 265.

[107] Wealth of Nations—Smith, pp. 891-2.

[108] Ibid., pp. 567-8.

The question of regulating the domestic currency is something more than a matter of private creditor-debtor relations; it goes to the very essence of the question of sovereignty. Many years later in our history the same problem presented itself before the Congress and the Supreme Court. In 1933 at the very depth of the depression Congress passed a joint resolution reducing the gold content of the dollar and declaring the payment of debts in gold according to the standard before its devaluation as contrary to public policy.[110] Obviously this was in direct contravention of the constitutional provisions which denied to Congress the taking of property without compensation and to the States the right to impair the obligations of contract. In time the issue had to be decided by the Supreme Court. In a famous five-to-four decision the Court upheld the contention that the right to regulate the currency is of the essence of sovereignty and cannot be limited by any other provision. "Contracts, however express, cannot fetter the constitutional authority of the Congress. . . . The same reasoning applies to the constitutional authority of the Congress to regulate the currency and to establish the monetary system of the country."[111] When the colonies protested England's interference with their fiscal policies they were in effect defying the sovereignty of the mother country.

FORTUITOUS NATURE OF THE TEA TAX ISSUE

Every writer of this period emphasizes the tea-tax as the turning-point in American history. We have previously recorded Bancroft's considered conclusion that if the tax had been repealed American independence would have been indefinitely postponed.[112] However, since according to the same authority the American Revolution had already been resolved upon by the Divine Wisdom,[113] nothing that statesmen could do might have conceivably affected the issue. Since many of us have not had the good fortune of being taken into the confidence of Providence before the event, we need only note that

[109] The Colonization of North America—Bolton and Marshall, p. 431.

[110] America In Midpassage—Beard, p. 215.

[111] Justice Hughes in the Norman v. Baltimore and Ohio R. R. Co. case; quoted by Dean Alfange in the Supreme Court and the National Will, pp. 199-200.

[112] History of the United States—Bancroft, Vol. IV, p. 158.

[113] Ibid., Vol. IV, p. 311.

the tea tax was systematically evaded by an organized system of smuggling,[114] and later by non-importation agreements singularly effective in the middle and southern colonies.[115]

Woodward estimates that nine-tenths of the tea came from illicit trade with the Dutch East Indies.[116] When the colonial opposition became too obvious, Lord North even went so far as to permit a draw-back, or re-imbursement of the whole tax, so that in effect it was only a token tax, as an evidence of England's right to tax her colonies.[117] But the colonies had gone too far along the road toward nationhood to be satisfied with any but the ultimate status—full independence. It is safe to assert that even if England had granted the right to self-taxation the issue would not have abated; the struggle would only have taken on some other form.

It is on record that over a hundred years before this period England had conceded to one of its colonies, the Barbados, the right of self-taxation wrested by its inhabitants by force of arms. "To this inconsiderable island," wrote Hildreth, "the honor thus belongs of having first vindicated in arms that right of self-taxation, the denial of which afterward occasioned the American Revolution." [118]

Yet no world-shaking consequences followed that concession known only to the historical antiquarian. The reason is obvious. All the other surrounding factors were absent which differentiates the American development from that inconsequential episode in the West Indies. Taxation on tea from which the mother country was not to profit was a principle to be fought for on England's side, but merely a convenient hitching post for an argument on the colonial side.

TAXATION ISSUE AS A CLOAK FOR THE INDEPENDENCE MOVEMENT

Attempts to enforce the tea-tax and the violent measures adopted by the colonists to circumvent it became what in essence it really was, an assertion of authority by the mother country, and the determination of her erstwhile subjects to renounce their allegiance. Both sides hesitated to clarify this issue to the very last moment, since it was clear that on such a question the die would be cast and war would result. But both showed every evidence of a firm resolve to maintain their respective positions even to the point of ultimate recourse to arms.

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[114] Ibid., Vol. IV, pp. 45, 159.

[115] History of the United States—Hildreth, Vol. IV, p. 25.

[116] A New American History—Woodward, p. 141.

[117] History of the United States—Bancroft, Vol. IV, pp. 163, 177-8, 261.

[118] History of the United States—Hildreth, Vol. I, p. 356.

The destruction of the tea in Boston and the rotting of the tea in Charleston, South Carolina, cellars because the consignees feared to sell the product showed how far the cleavage had developed. The issue was drawn. Neither side could retreat without immediately confessing defeat. Boston was to be punished for its open defiance of English authority as an example for the others. Both Parliament and English public opinion were united upon this.[119]

In order to win popular support, Parliament went so far as to institute a great reform for which democratic processes of government to this day is deeply indebted. Its doors were thrown open so that all the world that cared could witness the rectitude of their motives on this issue, and secret debates in Parliament save by special order, came to an end as a consequence of this precedent.[120]

Among the restrictive measures adopted against Boston was the closing of its port, the quartering of troops within its limits, and the sending of capital cases arising in Massachusetts to Nova Scotia or Great Britain for trial. Virtual martial law was declared throughout the colonies by making the British commander-in-chief independent of civil authority in America.

REVOLUTIONARY INSTINCTS OF THE MASSES

Throughout the colonies there was a spontaneous reaction to the repressive measures adopted against Boston. The Sons of Liberty in New York issued a call for a general continental congress of the colonies. Two parties immediately evidenced themselves on this issue. "On the one side, men of property; on the other tradesmen and mechanics. Foreboding a revolution, they seemed to contend in advance whether their future government should be formed upon the basis of property or on purely popular principles. It was plain that knowledge had penetrated the mass of the people, who were growing accustomed to reason for themselves, and were ready to found a new social order in which they would rule." [121]

It is to the honor of America's first great historian that he appreciated the class nature of this political division. The merchant class as a class either became outright Tories, or the conservative wing in the First Continental Congress.[122]

This historic body gathered in Philadelphia in September 1774, in Carpenter's Hall upon the invitation of the mechanics of that city. All colonies were represented by fifty-five delegates according to Bancroft,[123] but only fifty-three delegates were present with Georgia unrepresented according to Hildreth;[124] and each is right according as to the manner one interprets representation.

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[119] History of the United States—Bancroft, Vol. IV, pp. 296-7.

[120] Ibid., Vol. IV, p. 307.

[121] History of the United States—Bancroft, Vol. IV, p. 328.

[122] The Colonial Merchants—1763–1776—Schlesinger, pp. 432, 435, 446, 591, 604.

Early in these deliberations it was decided that each colony was to have but one vote in its proceedings, following a rather heated debate on this controversial point. After drawing up a Declaration of Colonial Rights they decided upon the formation of an "American Association" pledging the associators to an entire commercial non-intercourse with Great Britain. A second congress was decided upon for May 1775, to which all the colonies were invited together with Canada and Nova Scotia.

To win the support of Canada an elaborate address was prepared, but apparently the delegates did not realize that the different historic conditions between them and their northern neighbor foredoomed that politic gesture to failure.

MOVES FOR RESISTANCE AND ENFORCEMENT TAKE ON A WIDER SCOPE

Meanwhile overtures were to be made to England to effect a suitable settlement of the controversies which had arisen. William Pitt, or Lord Chatham as he was now styled, made a powerful plea for compromise, but between irreconcilables one or the other must eventually give way. A stalemate was unthinkable for the dominant power. England knew she had to act to save her colonies, for by failure to act she would the more surely lose them. The Prime Minister moved that a state of rebellion be declared to exist in Massachusetts which the government was bound to suppress. The motion was adopted in the Commons by a vote of three to one.[125]

Blood was subsequently shed at Lexington. Fort Ticonderoga was taken in the name of the great Jehovah and the Continental Congress. In such an atmosphere the Second Continental Congress convened at Philadelphia in May 1775. Only essayists who write after the event are always certain as to just how the events will take place. But not so with the men entrusted with the power to make momentous decisions. Georgia was still absent, except for a delegate empowered to speak only for a single parish.

"They came together undecided, and they long remained undecided," wrote Bancroft. "They struggled against every forward movement, and made none but by compulsion. Not by foresight, nor by the preconceived purpose of themselves or their constituents, but by the natural succession of inevitable events, it became their office to inaugurate a union and constitute a nation." [126] Here the historian unloads the dilemma from the shoulders of the delegates and deposits it into the lap of the gods. In our summary of the colonial period which will follow we will see that these events did not proceed out of some mysterious perpetual motion of history, but rather through the operation of social forces created in a definite manner within a social structure of an historical, and therefore of relative validity.

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[123] History of the United States—Bancroft, Vol. IV, p. 393.

[124] History of the United States—Hildreth, Vol. III, p. 42.

[125] History of the United States—Bancroft, Vol. IV, p. 501.

Every commentator on the events of the critical years before the formal declaration of independence concedes that few of the responsible colonial leaders conceived of, or even desired complete severance of the political ties which held them to the mother country. Washington's attitude is expressed in a letter written at the time to an officer who had served with him in the colonial war but was now in the British service: "I think I can announce it as a fact, that it is not the wish or interest of that government, or any other upon this continent, separately or collectively, to set up for independence; but this you may at the same time rely on, that none of them will ever submit to the loss of their valuable rights and privileges, which are essential to the happiness of every free state, and without which life, liberty and property are rendered totally insecure." [127]

Washington desired very strongly to find some adequate constitutional solution for the impasse which had developed. During the fifty-one days that the first Continental Congress had been in session every avenue of compromise was carefully considered.[128] One of them which received considerable support from the representatives of Pennsylvania, New Jersey and New York provided for the government of the colonies by a president-general to be appointed by the Crown and a grand council to be chosen by the colonial assemblies.[129] This was warmly opposed by the more popular spokesmen. The people had advanced far beyond the caution and hesitancy of their leaders,[130] and in the ultimate decision it was their determination which lent courage to the Congress to stand firm in the maintenance of those positions which could lead only to revolution.

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[126] History of the United States—Bancroft, Vol. IV, p. 570.

[127] Life of Washington—Irving, Vol. I, p. 386.

[128] Ibid., pp. 383-4.

[129] History of the United States—Bancroft, Vol. IV, p. 402.

[130] History of the United States—Bancroft, Vol. IV, p. 404.

C. The Nature of the American Revolution

REVOLUTION DEFINED IN TERMS OF AMERICAN HISTORY

Max Farrand remarks that "one of the best features of the Revolution was its being so little revolutionary or radical. The changes which it brought about were for the most part gradual and therefore more acceptable and more lasting." [131] Without desiring to be pedantic, it is important for the purposes of scientific inquiry to define the term revolution. A political revolution is the complete transformation of the class base from which state power emanates. Upon analysis this definition will be found thoroughly consistent with our former presentation of the nature of the state and the derivation of social classes in a given historical epoch on the basis of the relations of production. When Farrand points out that the development of democracy in the United States did not mean a sudden break with the past, he misses the very essence of the historical significance which will always be attached to our glorious Revolution.

What was its essential significance? It was the proposition first announced by an organized government which came into existence by the action of the Continental Congress in July 1776 that government derives its power from the people.

To the sophisticated, cultured mind this is merely a sonorous phrase which had, of course, and still has, its practical political uses. In adopting this airy, off-hand attitude they lose sight of the fact that it is precisely tremendous generalizations of such a character which provide the leaven of history when they are developed out of concrete situations. Few of them are known to the annals of man's progress which are of greater historical significance. They constitute the crystallization of centuries, yes, of millennia of social development.

Such a generalization was unknown in the times of Jesus, who advised rendering to Caesar what was his. Such a pronouncement was not made in the Great Charter drawn up at Runnymede. Even the Great English Revolution of 1688 insisted only upon all power as residing in a Parliament which was then, and continued to be for the next two centuries, a Parliament of landlords. Only the Declaration of Independence dared assert that all power derives from the people, and that government is instituted to provide for the general welfare and to promote the general happiness.

Now our sophisticated Farrand does not have to insist so strenuously that the American people did not suddenly change their nature over-night between July 3rd and July 4th in 1776. History does not record any remarkable metamorphosis of such a character at any time, anywhere in the world. They were still the children of their fathers. Modes of feeling, thinking, and acting, were too firmly rooted in human nature to be thus miraculously transformed by the mere publication of a pronunciamento.

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[131] The Development of the United States—Farrand, p. 56.

No significant political revolution was ever effected in such manner, least of all the American Revolution. Even the French Revolution despite all outward appearances did not make the Frenchman belie the hereditary consequences of over a thousand years of his history. The Russian people despite the world-shaking events in which they participated in 1917 looked and acted pretty much like other individuals of their type in the rest of Eastern Europe.

Revolution does not mean a complete and sudden break with all the past. Revolutions are the product of the past out of which they develop. Marx who ought to know something about them, states that they arise out of the successive phases of normal social development and that their historical mission is to shorten and lessen the birth-pangs of the new social order to which they give rise.[132] "Revolutions are not made by law" [133] he cautions, since the rights to which they give rise can never be superior to the economic development and the stage of civilization conditioned thereby.[134]

The natural rights of man had been promulgated before 1776 in numerous treatises and countless tracts. Montesquieu and Rousseau were well known to the intellectual leaders of American life.

How deeply the current of the popular mind had been effected by the philosophic thought of their time is witnessed by the tremendous influence Paine's pamphlet "Common Sense" exercised over them. That work became a record-breaking best seller. "The value of Paine's book to the Revolutionary cause was enormous," wrote Woodward. "It was a crystallizer. Everything it said was already floating about nebulously, and without a center of gravity, in the American mind. Common Sense brought the whole galaxy of revolutionary ideas into coherent form." [135]

The Declaration of Independence did not make the Revolution. All the social forces which had been gathering and developing for one hundred and fifty years had made possible that epochal declaration. It is ungenerous for Woodward who is typical of modern commentators, to attempt to diminish Jefferson's stature by insisting that he borrowed his ideas from the leaders of contemporary thought.[136] No man who undertakes to contribute something of his own could ever expect to do so unless his horizon was widened by climbing upon the shoulders of the intellectual giants to whom we owe our culture. Yet Jefferson could not function as he did without the society which gave him the platform upon which he stood and made his ideas comprehensible to the men of his time. Originality is so often the striving of intellectual sterility, while genius delights in pointing out the development of its ideas.

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[132] Capital—Marx, Vol. I, pp. 14-15.

[133] Ibid., Vol. I, p. 823.

[134] The Gotha Program—Marx, p. 31 (1936 ed.).

[135] A New American History—Woodward, p. 158.

Almost one hundred and seventy years have elapsed since that noble document was first promulgated among our people and to inspire with hope and courage the other peoples of the world. We have yet but partially achieved the penultimate of the possibilities locked up in its sonorous phraseology concerning the functions and duties of government. It is the principal objective of this work to demonstrate the nature of these possibilities in the delineation of the Theory of the Continuing American Revolution.

DETERMINANT CHARACTERISTICS OF THE AMERICAN REVOLUTION

Meanwhile the American Revolution had to be fought and the final victory to be won. When equal rights clash, force must be the arbiter. Bloodshed is not the inevitable accompaniment of a revolution. The Great English Revolution was carried through with little loss of life. What passes for revolution in many a small Latin-American republic is characterized by blood-shed on a larger scale with no comparable accomplishment.

Mere change of regime by violent or peaceful means does not establish the character of a revolution. What does decide the issue is the nature of the class basis from which the political power of the state emanates. The American Revolution did change the basis upon which the state rested, though the full import of this change did not begin to manifest itself until the dawn of the Jackson regime.

Meanwhile the colonies, now transformed by their own fiat into the United States of America, had to maintain its position as a sovereign nation by the force of its arms and sustained by the courage and the fortitude of its people. A great deal of confusion exists in the minds of contemporary writers concerning the degree of support the Revolutionary cause was successful in winning among the population. Beard estimates that "not more than one-third of the adult white males in America ever set the seal of their approval on the Revolution by voting for its committeemen and delegates." [137] Disregarding the question of limited franchise, to which Beard himself adverts, that would indeed be a most remarkable achievement—to have registered the outspoken support for a revolutionary change of such a large proportion of the population. Active supporters are always fewer than sympathizers. Woodward casts sly aspersions upon the willingness of the colonists to fight by pointing out their shirking of military service, and that Washington might have won his final victory in six months had he obtained adequate support.[138]

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[136] A New American History—Woodward, pp. 158-161.

On the other hand, the same writer emphasizes that had Britain exerted its full naval force in American waters by establishing an effective blockade, the war for our independence would have been lost. It is but another illustration of "if" history which raises conundrums but cannot offer solutions. Of course, we know what the facts are. But few appreciate the significance of those facts nor how they came into being.

For one thing, the state of war existed for eight years. Both sides exhibited the dogged determination which was to be expected from peoples of kindred blood. The authentic facts prove conclusively that in one way or another the erstwhile colonists, now the Americans, were willing to pay the price in blood and treasure whenever they were really threatened.

Britain knew that she could reduce her former colonies only by smashing down completely all military resistance. This they often did in regular battles. But their power extended only within the range of their rifles. They failed in the really critical test of victory, for they could not subdue the countryside without bringing into play the enormous resources of the Empire in men and materials. The military and naval exertions called for by combat on such a large scale would have aroused their own divided opinion which could be united on the issue of subduing a few malcontents, but not for the reduction of an entire people consisting in the main of their flesh and blood. The British authority extended only within the limits of the army camps.

Since the people could not be cowed, and refused to admit they were beaten, there was left only one recourse, an outright military occupation by a force adequate to that purpose. This the British Empire could not muster. England was essentially a naval power.

[137] The Rise of American Civilization—Beard, Vol. I, p. 257.
[138] A New American History—Woodward, p. 163.

The day of a nation in arms had not yet come. Conscription was unknown. Professional armies were the rule, and only a limited number of them, like the Hessians, could be hired out for overseas service, after the necessary financial arrangements were perfected with their rulers. The American farmers who shirked the life of a regular soldier did not hesitate to hang on to the flanks of the enemy when he invaded his acres or threatened the vicinage. Thus did they fight in the South, Center and North when the British invaded these particular territories.

That they could defeat a regular British army when it ventured too far from its base, the Americans proved to the astonishment of the world when Burgoyne was surrounded in the wilderness of New York and compelled to surrender.

The West European part of this world was none too friendly to England, and rather happy to see her mired in the bog of the American wilderness in a fratricidal war three thousand miles away; a war from which it had nothing to expect but a desperate struggle to the exhaustion of one of its principals and to the detriment of both. With the Machiavellian finesse of practical politics some of them were determined that it should not happen first to the Americans; not out of love for them, but because they hated England the more.

Our shrewd statesmen were fully aware of their opportunities in this situation. France, for example, gave help to the United States surreptitiously before its formal alliance with us; a fact which Paine had undiplomatically blurted out from knowledge he had as a clerk of the Foreign Affairs Committee. This inadvertence subsequently caused France to offer England unconvincing explanations, and cost Paine his job.[139] Spain and Holland eventually gave us assistance, only to injure England. In time England was at war with our allies, France, Spain and Holland.

France threatened an invasion of England, which compelled her to raise an enormous army for home defense, including eighty thousand troops enlisted in Ireland alone.[140] Spain experienced a temporary recrudescence of her ancient energy under a determined king and engaged the English bitterly for the possession of Gibraltar. It was the combination of all these factors together with the unparalleled leadership of Washington that led finally to the bottling up of Cornwallis at Yorktown by the French fleet and the surrender of the British army to the combined American and French forces.

[139] A New American History—Woodward, p. 158.

[140] History of the United States—Hildreth, Vol. III, p. 333.

ENGLISH SUPPORTERS OF THE AMERICAN COLONIES IN REVOLT

In England itself there existed a considerable peace party composed of a polyglot group ranging from the enlightened statesmanship of Lord Chatham and the philosophic vision of Adam Smith, down to the horde of politicians who sought only to embarrass the government even to the point of imperial ruin, in order to salvage sinecures out of the wreckage for themselves.

Adam Smith was consistent with his own economic philosophy. As an Englishman he supported the war on its moral side, arguing that the colonies should be taxed as a contribution to their defense. But as a firm advocate of laissez faire he had full faith in the natural operation of economic forces to keep the American agricultural colonies in permanent economic subjection to an industrial England with whom they could not possibly compete in its own field. He therefore advocated a voluntary, peaceful separation of the colonies from the mother country though he had little hope that his policy would be adopted.

"To propose that Great Britain should voluntarily give up all authority over her colonies," he pleaded, "and leave them to elect their own magistrates, to enact their own laws, and to make peace and war as they might think proper, would be to propose such a measure as never was, and never will be adopted, by any nation in the world. . . . Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation. . . . If it was adopted, however, Great Britain would not only be immediately freed from the whole annual expense of the peace establishment of the colonies, but might settle with them such a treaty of commerce as would effectually secure to her a free trade, more advantageous to the great body of the people, though less so to the merchants, than the monopoly which she at present enjoys. By thus parting good friends the natural affection of the colonies to the mother country, which perhaps our late dissentions have well-nigh extinguished, would quickly revive." [141]

The great exponent of free trade for a country that possessed the inside ring in the industrial revolution then developing was not destined to see that goal for which he strove so valiantly realized by the efficacy of the laissez faire philosophy which he urged upon his own nation, and by which he admonished the new nation now developing. Tariff walls were to be erected by American statesmen as keen to protect the national interests in their field as Adam Smith was in his own.

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[141] The Wealth of Nations—Smith, pp. 581-2.

For this elusive distinction between economic and political power exists only in the minds of the schoolmen, a goodly number of whose descendants still hold forth in our institutions of higher learning. The great economist frankly admitted the weakness of his political case in 1776. The first tariff legislation of the new American Congress was to expose the practical weakness of his laissez faire theory as early as 1789.

Or perhaps, in the view of cynical scholastics it was due to the abysmal ignorance of the legislators concerning the principles of the recondite science of political economy, for we have it on the word of McMaster that there could not be found in the whole extent of the new republic one hundred copies of Adam Smith's treatise as late as 1784.[142] However, mankind has many other ways besides books of discovering for itself the laws regulating its social life.

ENORMOUS DIFFICULTIES OF THE REVOLUTIONARY STRUGGLE

Though the surrender of Cornwallis at Yorktown in 1781 was actually the closing episode of the war, formal peace was not signed until two years later due to our treaty obligations with France which bound neither nation to consent to a peace without the agreement of the other. During the course of this sanguinary and costly struggle every state of the United States, except New Hampshire, had at one time or another experienced the ravages of war.[143]

The young republic had encountered every type of civic misfortune and military disaster which would have brought a less determined people to their knees in humble suit for the mercy of a conqueror. Internal army cabals instigated by the jealousy of ambitious men threatened the continued existence of a military force to face the enemy. An historic act of treachery has rendered one name as infamous to the ear of an American as that of Judas is to that of a Christian.

Mutiny arose among the enlisted men. Volunteers deserted to return to their farms when the exigencies of the military situation, in their private judgment, did not require their present service. Not a few fled before the onslaught of the enemy, and many even at the thought, let alone the fact, of such contact. The principal cities were in the hands of the British at one time or another. The states themselves were jealous of their sovereignties and sought to minimize, sometimes to evade, their contribution to the common cause. Of supplies there were little, and of money there was none at times to pay the wretched but glorious army that still maintained the field. This is the grim and the gloomy side.

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[142] History of the People of the United States—McMaster, Vol. I, p. 25.

[143] History of the United States—Hildreth, Vol. III, p. 374.

But there was much to encourage faith in final victory. The unskilled troops knew when to retreat, and when to rush vigorously to the attack. In their frequent retreats they still continued as an organized force responsible to and responding to a unified command. The commander-in-chief, one of the truly outstanding figures of history—though current muckrakers and puny iconoclasts have attempted in vain to diminish his stature—was indeed a tower of strength, morally and militarily, to the struggling Republic.

Congress as the real and civilian head of the government at all times, retained its control over the armed forces. It invariably supported its commander-in-chief, but demanded and received from him a scrupulous accounting for his acts; nor did Washington ever challenge the supremacy of the popular organ of government.

THE REVOLUTIONARY CONGRESS AT ALL TIMES IN CONTROL OF THE MILITARY

Congress acted through a committee of five members of its body known as the Board of War. This board suffered from all the defects of a civilian and political group. It acted behind the back of the commander.[144] It was frequently the center of intrigues. But it established the tremendously important principle for a republic that the military is subservient to the civil authority. Success in the field has so often proved its own magic talisman to ambition, but as long as Washington was at the head of its armed forces Congress needed never to fear the fate of so many other republics in the annals of history.

Every general who failed was immediately subject to the scrutiny of this board of inquiry. The Congress put into effect the system of political commissars to supervise and control the actions of the military one hundred and fifty years before the Russian Soviet Government established it in its famous Red Army. So did the French Revolutionary Convention follow our example.

That this control over the military branch was most salutary is evidenced by the fact that Schuyler and all the generals of the northern army were recalled to account for their defeat in 1777, while

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[144] History of the United States—Bancroft, Vol. VI, p. 43.

General Sullivan had to submit to a similar inquiry into his conduct of operations in Staten Island.[145] The same fate awaited Generals Spencer [146] and Gates.[147] Its diplomatic representatives were similarly subject to committees of Congress; and one of them, Deane, had to answer before its bar for his conduct abroad. The financial operations of the Treasury were subject to the examination of a committee of three appointed by Congress, whose membership was changed every six months.[148]

COSTS OF THE STRUGGLE

When the struggle was ended, the young Republic had spent the enormous sum of one hundred and seventy million dollars in gold value for its prosecution. This was raised principally in four ways: by taxes under the disguise of a depreciated currency due to the constant emission of paper money; by taxes directly imposed; by borrowing from individuals; by raising loans abroad.[149]

Davis Rich Dewey calculates that the total receipts by the Continental Congress during the years 1775 to 1783 as measured in specie was sixty-six million dollars. These funds were received from internal revenues, from domestic and foreign loans, and from the currency value of paper money emitted from time to time.

The war expenses of the separate states were in addition to the above amounts. The plague of paper money came from both the Congress and the States. Congress alone authorized and issued paper currency totaling $241,000,000 while the states issued $209,000,000. Toward the end of the war the value of this currency had depreciated to forty for one Spanish gold dollar. But with this aspect of the war's financing we are not now concerned.[150]

In spite of all that muckraking historians write, the states had furnished separate enlistments, many of them repetitive, numbering 232,000 men.[151] At no time, states Woodward, could Washington muster more than 30,000 men in all parts of the country.[152] But the fact remains that the British military strategy was such that a larger American force would have been useless to keep and costly to maintain until knowledge was had as to where the next blow was to be struck, and generally adequate preparations were made to meet it wherever the enemy move was made.

[145] History of the United States—Hildreth, Vol. III, p. 219.

[146] Ibid., Vol. III, p. 252.

[147] Ibid., Vol. III, p. 325.

[148] Ibid., Vol. III, p. 295.

[149] Vol. III, p. 445.

[150] Financial History of the United States—Dewey (1907), pp. 35-40.

[151] History of the United States—Hildreth, Vol. III, p. 441.

[152] A New American History—Woodward, p. 163.

American strategy did not call for outright battle to a finish, but to a war of attrition against an enemy far from his base of supplies, and in a country always hostile and too poorly equipped to make up the enemies' deficiencies.

These elementary strategical problems of the war must be grasped if the subsequent actions of the American people are to be free of the kind of criticism which our modern historians direct against them. Their freedom had not to be won; it was already achieved as a positive fact. It was incumbent upon Britain to conquer a people already accustomed to a large measure of self-government and resolved to defend themselves against invasion. They could be, and often were defeated, but they could not be brought to submission. England long since had recognized these facts, but found it difficult to swallow the bitter pill of acquiescence.

EXEMPLARY CONDUCT OF WASHINGTON

Upon the conclusion of the struggle Washington rendered an exact accounting of the moneys Congress had placed in his private discretion as Commander-in-Chief, and then with exemplary respectfullness submitted to it his resignation.

In a final review of the army he had led so long he addressed a parting message which does everlasting honor to his own character as well as to the institutions of the Republic he had contributed so much to create, to foster and to preserve: "And being now to conclude these his last public orders, to take his ultimate leave in a short time of the military character, and to bid a final adieu to the armies he has so long had the honor to command, he can only offer in their behalf his recommendations to their grateful country, and his prayers to the God of armies. May ample justice be done them here, and may the choicest of Heaven's favors, both here and hereafter, attend those who under the Divine auspices, have secured innumerable blessings for others. With these wishes, and this benediction, the Commander-in-Chief is about to retire from service. The curtain of separation will soon be drawn, and the military scene to him will be closed forever." [153]

The American people will always hold Washington's memory nearest to their heart as the most perfect embodiment of the eighteenth century American spirit, in the equally simple tribute which we all reverently pay to him as the Father of His Country.

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[153] Life of Washington—Irving, Vol. IV, p. 46.

SUMMARY OF THE COLONIAL PERIOD

What were the social forces during the colonial period which brought the American Republic into being? Let us review them briefly as they manifested themselves in the Spanish, French and English colonies.

The Spanish colonial society reflected the stagnant state of the mother country. All power emanated from the throne. The Spaniards came to rob the New World of its surface wealth and remained to enslave the native population. It is in the nature of a society constituted upon the aristocratic principle to maintain unchanged the social relations upon which its claim to power is based. The reproductive character of the social organization tends to crush out attempts at variation. The social difference of potential is restrained or suppressed, while the social continuum maintains the even balance between the constituents of its field. The struggle for survival compels some form of adaptation to changing world conditions, but the initial impetus must come from the outside or from the top.

Therefore the Spanish colonial system is represented in the same undifferentiated character by both paternal solicitude on one hand, and determined repression on the other. A balance is struck between policy and its application to conditions of life. Modification does take place, but on a small scale and in reduced tempo. The Spanish political and economic policies in the colonies were subservient to the state, as was the organized church, which otherwise remained supreme in the shaping of its ideological superstructure. Everything tended irresistibly toward a vegetative existence, and in a progressive world that meant continual regression, internal decay and ultimate collapse. Napoleon rudely shook the Spanish edifice in Europe, and the colonial empire collapsed in America.

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The French colonial policy was characterized by the non-existence of a consistent colonial policy. In truth, colonies to France was simply a case of keeping up with the parade, which then was led by such powers as Spain, Portugal, Holland and England. Essentially a European continental power, with its eyes centered upon the kaleidoscopic transformations within her sphere, France took up colonies casually and resisted encroachments only because its honor, and not its vital interests, was affected. A strong, brave and adventurous people, France gave rise to some very great colonial governors, to many restless searchers in the unknown depths of the wilderness, but to few settlers. Furs and Jesuits mark the history of New France. The annals of no colonial people surpass that of the French traders and missionaries in intrepidity and devotion. But colonial empires were not moulded out of such material alone.

The impetus for settling upon the soil was absent, while the Jesuit policy, fully sustained by the throne, prevented the admission of non-conformers. For a time devoted administrators attempted to people the land by aggressive governmental assistance, but all they could do was to hold out the incentive for the recreation in the New World of the social system of the Old. History proved that this was not enough. Feudalism was none too pleasant in Old France and it were strange could it be made more palatable in New France.

Feudal estates with a nobility and its retainers did dot the principal waterways of Canada, but these little nuclei were veritably lost in the wilderness. The Merchant Companions which interested themselves in New France did so more out of fear of incurring the royal displeasure than because of a deep-seated, direct interest in colonial enterprise. When the king's interest waned, that of the Associates ceased, and Canada relapsed once more upon her own resources and the improvisations of an occasional interested minister in Paris, or of an able governor in Quebec.

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Every factor vital to the development of a new nation on the American soil was contained in the nuclei of the Virginia and Massachusetts colonies. They were transplanted Englishmen, and they reproduced on this continent the virile institutions of that aggressive people in a medium that lacked the retarding elements which hampered the development of democratic institutions in the homeland. Every condition existed here favorable toward its flowering in hot-house fashion. They came here with liberal charter privileges and the tradition of self-government. The venturesomeness of private enterprise took the place of hesitant and querulous bureaucracy. The Crown at home was presently engaged in a tremendous struggle with domestic republican forces for over a period of forty years, during which time the colonies enjoyed the maximum of self-government and suffered the minimum of imperial restraint.

The English civil conflicts were finally resolved by the victory of the rising middle class, and that meant to the colonies the transfer of ultimate authority from the Crown to the Parliament. The merchant class was preponderant in influencing the course of imperial policy, and by virtue of their wealth ultimately succeeded in making of the English aristocracy the polished front which carried through with hereditary finesse the policies which they dictated through Parliament and enforced through their Ministers.

Repressive Navigation Acts were directed against colonial commerce, but the very fear entertained by the British merchant class of a too powerful government apparatus militated against the creation of formidable weapons for the enforcement of domestic laws. In short, smuggling was a respectable and a necessary form of law violation which mitigated the rigors of England's colonial system.

Town councils, popular assemblies, a free press, all the essential ingredients of democracy flourished in this verdant soil. Legislatures had learned the art of wheedling concessions out of governors by haggling over voting the all-essential supply bills. Occasional revolt curbed the excesses of autocracy, while their increasing numbers and general education gave the colonists the consciousness of strength in resisting the tendency of legitimate authority to grow despotic by gradual accretion of power.

When England embarked upon her sustained duel with France for world hegemony the colonists fought loyally for the mother country with the instinctive recognition that a strong foreign power on the continental mainland was inimical to their own growth and prosperity. In four long wars the colonies gave of their wealth and their blood in the common struggle. But once that ended in the final capitulation of colonial France, the colonies became acutely aware of their own growth into maturity during the course of these struggles. Without knowing definitely at first what they wanted or where they were headed, they embarked upon those improvisations of the moment which led step by step to the struggle for ultimate independence.

The colonial social structure, both transplanted and as it developed here, was characterized by singular fluidity of its component parts. Great opportunity was afforded for fullest play of the difference of social potential in an active social continuum. It was precisely in those sections of the country where social classes were more fluid that development proceeded most rapidly. The social continuum was in a constant state of flux. New ideas flourished among a new and vigorous people.

Where the Spaniard or the Frenchman sought to create as nearly as possible a replica of old home in the New World, the Englishman and the other kindred national groups which soon acclimated themselves to his culture, sought first of all to establish an independent place for himself freed from the social stigma of the old country and the economic limitations growing out of personal dependence upon another. Hence his fear of a centralized government and the lush growth of local authority which reduced that to a minimum. And yet there existed the conscious realization that he was part of a complex social organization, and that his welfare, or rather his freedom from overly interference, depended upon making the government subservient to his wishes and to that of his fellows.

These were the factors which operated toward the assertion of independence and the establishment of the United States. It was upon these fundamental political concepts that the young Republic was founded and launched upon that remarkable career which we shall now undertake to describe and to analyze.

PART TWO

PERIOD OF EXPANSION

CHAPTER VII

Interregnum Under the Confederation

PROVISIONAL CHARACTER OF THE CONTINENTAL CONGRESS

A LONG and exhaustive war had been fought by a government which did not come formally into existence until near the end of the struggle. The First Continental Congress met in September 1774 in response to an invitation extended to the colonies to consider concerted action against the coercive policies of the British Government. After convening for such appropriate measures as they then deemed advisable in the premises, the Congress adjourned with the stipulation that another session was to be held in May of the following year.

When this Second Continental Congress gathered blood had been shed, and this movement of incoherent protest began to assume the aspect of a definite struggle for independence. The far-seeing Franklin had noted the absence of a definite form of colonial co-operation, and in July 1775 he submitted to the Congress a plan of government for the colonies for the duration of the war.

Events moved even faster than he or the Congress had contemplated. After a year of indecision due to the fruitless hope of compromise in a matter where neither side would or could yield on the crucial issue, independence was finally declared and debate was begun upon the form of a permanent organization. Several months of fruitless and intermittent discussion followed, with the inconclusive result that the committee report on the articles of Confederation was laid aside.

Two more years went by before the Articles of Confederation were agreed to by the Congress and referred to the States for adoption. A unanimous vote by all the states acting separately was required before the Confederation could come into existence. Three more years elapsed before the approval of the last of them, Maryland, was obtained. Thus on March 1, 1781, the existence of the

Confederacy of the United States of America was formally proclaimed.

Meanwhile the affairs of government were being carried on by the Continental Congress acting as the general representatives of the states. Each of them insisted upon maintaining its separate sovereignty and looked with jealous eye upon any proposal which had the effect of limiting its powers.

This was a most rational and understandable procedure. From their very inception each colony was a self-sufficing unit responsible in the final analysis only to the Crown. During the course of their development the colonies were compelled by the necessities of their own situation, or that of the British Government, to engage in some form of united enterprise, principally the waging of war. The two Continental Congresses were a consequence of such co-operative effort on the part of the several colonial sovereignties.

FEAR OF A STRONG CENTRAL GOVERNMENT

Obviously the erstwhile colonies were not going to exchange one centralized despotism in England for a similar despotism of their own making in America. Therefore every precaution was taken to safeguard their sovereignty by closely limiting the powers of the Confederation. Thus Article II immediately after the official style of this Confederacy of the United States of America provided that "each State shall retain its sovereignty, freedom, and independence, and every power, jurisdiction, and right which is not by this confederation expressly delegated to the United States in Congress assembled."

In determining questions each State, regardless of size, population or wealth was to have one vote (Article IV). No change in the Articles could be effected unless confirmed by the legislatures of every State (Article XIII). When the Congress was not in session the government was to be carried on by a committee to consist of one delegate from each state (Article IX). No state was to be deprived of territory for the benefit of the United States, and it was precisely this provision which accounted for Maryland's long delay in ratifying the Articles of Confederation.

As Fiske points out, tremendous beneficial consequences little dreamed of followed from Maryland's stubborn attitude.[1]

She refused to accede unless all the states would agree beforehand that any claim they might have to western lands should be surrendered to the Confederation. These western lands were the vast territories between the Appalachians and the eastern border of the Mississippi which had been wrested from France by England in the peace settlement of 1763. Further, Maryland insisted that all moneys derived from their subsequent sale should be used for the reduction of the public debt.

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[1] The Critical Period in American History—Fiske, pp. 93-4, 192-5.

"Some hot-heads," wrote Fiske, "were even heard to say that if Maryland should persist any longer in her refusal to join the Confederation, she ought to be summarily divided up between the neighboring states, and her name erased from the map. But the brave little state had earned a better fate than that of Poland." [2] It is ridiculous to infer from this, as Fiske does, that this is one of those unpredictable accidents which makes history so full of unexpected surprises, so dear to the romantic mind.

But the fact remains that Maryland's obduracy did result in the acquisition by the central government of a handsome legacy in the Northwest, except one tract in Ohio which became known as the Connecticut Reserve, subsequently disposed of by that State and the proceeds used by it for educational purposes. The Southern states on their part surrendered claims to Southwestern lands, with Virginia adopting a most generous attitude in both western regions.

Without for a moment belittling these far-reaching consequences, such as the Ordinance of 1787 which prohibited slavery forever from the territory north of the Ohio River, one must consider that the social forces which underlied the unfoldment of the American historical processes far transcended the limited designs of men. The ink with which Maryland affixed its signature to the Articles of Confederation had scarcely dried before a movement was on foot to amend them.

LIMITED AUTHORITY OF THE CONTINENTAL CONGRESS

During the progress of the war Congress had met with the severest difficulties in obtaining the co-operation of the states. Congress could only recommend; it had no power to enforce. The provision for unanimity rendered impossible the carrying on of an effective policy at home. It was only because the usages of nations in the international field compelled a central authority for diplomatic action that Congress was able to meet with such signal success in effecting favorable alliances in Europe. On the domestic front each state insisted upon its sovereignty, and grudgingly yielded men and money after continuous and importunate supplications from Congress and the commander-in-chief of its forces who always held, and so conspicuously merited, their affection and esteem.

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[2] The Critical Period in American History—Fiske, p. 195.

Washington addressed a plea, among others, to Jefferson who was then governor of Virginia that some form of coercion ought to be devised so that a refractory or delinquent state should not jeopardize the decision of the rest. Madison did in fact draw up an amendment one month after the articles went into effect, to give the United States authority to employ their forces as well as by sea as by land to compel any delinquent state to fulfill its federal engagements.[3] Nothing came of it, but the evil remained as well as the causes which created it.

The abstract notion of multiple state sovereignties had to yield inch by inch before the realities of life as it was then unfolding, and it continued to yield, sometimes a foot and sometimes a mile, until the issue was settled finally at the little court house at Appomattox, that the Federal Union was the paramount power in the United States. We all know the facts, and some to this day may even question its wisdom. But it will be our duty in the consideration of this period in our history to disclose the nature of the social forces which produced this end result.

DISINTEGRATION OF FEDERAL POWER AFTER THE WAR

Consciousness of a common peril did keep the states together during the prosecution of the war. But no sooner was its successful termination assured than alarming evidences of internal disintegration began to present themselves.

The army was gathered in Newburgh under Washington's command. Their impending disbandment without provision for payment of arrears, and with little prospect facing them of a reasonable transition to a civilian mode of life, had filled the ranks with a dangerous discontent. A manifesto issued by a considerable group of malcontents was circulated among them which indicated, as happened so often in history before, that an ambitious leader could readily have placed himself at their head and seized with the army's aid the reins of power.

"Can you consent," read this strong appeal, "to wade through the vile mire of dependency, and owe the miserable remnant of that life to charity which has hitherto been spent in honor? . . . Go, starve and be forgotten. But if your spirits should revolt at this, if you have sense enough to discover and spirit sufficient to oppose tyranny under whatever garb it may assume, whether it be the plain coat of republicanism, or the splendid robe of royalty. . . ."[4]

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[3] History of the United States—Bancroft, Vol. VI, p. 355.

Any other leader but Washington might have succumbed to the wiles of this seduction. But with a firmness yet a fine discrimination which does honor both to his patriotism as well as to his sense of justice, he discountenanced the plans of the revolters, as he pledged himself to urge upon Congress the proper settlement of their grievances. Washington refused, though he had every opportunity of doing so, to essay the role Cromwell had assumed before him, and Napoleon after him.

In the capital city of Philadelphia some eighty Pennsylvanian recruits decided that a government which could not pay them their due, was not a government entitled to their respect; and since a government unworthy of respect was undeserving of their loyalty, they proceeded forthwith to march on Congress then in session and appraise it of their sentiments. They stopped before the State House where they taunted and jeered the living majesty of their government; from that they passed to tumult, breaking windows and heaving volleys of missiles into the building. Congress appealed frantically but in vain for Pennsylvania's protection. It sent General St. Clair to expostulate with the soldiers, but without result. That night Congress sneaked out of its chambers and fled to Princeton where it found refuge in the buildings of that college.[5]

In the western lands of Pennsylvania, in Virginia and in North Carolina separatist movements were set on foot bent upon organizing state governments in defiance of the existing states.[6] Thus there came into existence the ephemeral state of Franklin or Frankland as it was called interchangeably.[7] In New Hampshire an armed mob surrounded the Legislature demanding the remission of taxes and the immediate issuance of paper money to relieve the distress of hard-pressed debtors.[8] In Connecticut a number of its inhabitants had gone into the Wyoming valley then claimed jointly by Pennsylvania and the Nutmeg state. Both sides resorted to armed resistance, the one of property upon which they had settled, the other against encroachment upon its territory and sovereignty. Civil war between the settlers of the vilest and most despicable sort actually ensued.

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[4] Life of Washington—Irving, Vol. IV, p. 22.

[5] History of the People of the United States—McMaster, Vol. I, pp. 183-4.

[6] History of the United States—Hildreth, Vol. IV, p. 470.

[7] History of the People of the United States—McMaster, Vol. I, p. 263

[8] History of the United States—Hildreth, Vol. IV, p. 475.

CIVIL WAR BETWEEN CONNECTICUT AND PENNSYLVANIA

Imagine the state of affairs when Pennsylvania troops were let loose on the settlers and a hundred and fifty families were uprooted from their homes, their cabins set on fire, their crops destroyed, and five hundred men and women driven like cattle toward the Delaware. When news of this barbarian outrage reached Connecticut a force was hastily mobilized and marched into Pennsylvania. Eventually common sense prevailed after the fire of passion had burned itself out.

The Pennsylvania constitution allowed for a Council of Censors who met every seven years to inquire into the acts of those entrusted with its enforcement, much in the manner of the Roman Censors from which it was copied.[9] The Anglo-Saxon tradition was too strong to suffer for long such a reversion to brutality. These Censors called for the necessary documents. The Pennsylvania Assembly refused to submit them and coupled with it the promotion of the military leaders involved. The Censors like the Romans of old appealed to the people.

"To oppress the settlers of Wyoming was one thing," wrote McMaster, "to defy the Council of Censors was quite another thing. . . . When the Censors were withstood—the Censors who were the bulwark against the tyranny of officials and the unjust acts of lawmakers—the people were greatly alarmed. Then on a sudden much sympathy was felt for the expelled settlers. The action of the Assembly was severely criticized . . . and the Legislature commanded that the Connecticut claimants should be restored to the full possession of their property." [10] But there were left rankling wounds which neither beating of the breast nor monetary awards could atone. To cautious statesmen it must have been apparent that the government under the Articles of Confederation was doomed to disintegration, or at best was destined to be only an interregnum for some other form of political organization.

SIGNIFICANCE OF SHAYS' REBELLION

Massachusetts was the scene of events which have since been recorded as Shays' Rebellion. Essentially it was a protest on the part of poor mechanics, debt-ridden farmers and neglected veterans who felt that somehow the government which they had fought to preserve had fallen into the hands of the wealthy classes. The details are at present unimportant. It is sufficient to say that the masses of the people in the affected area were in sympathy with the objectives of the movement, though not with their acts.[11]

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[9] Plutarch's Lives—pp. 422, 462, 659, 754.

[10] History of the People of the United States—McMaster, Vol. I, pp. 215-16.

Fiske admits that the wealthy citizens of Boston were so frightened that they raised a fund to finance the expedition sent against the rioters.[12] An army of four thousand veterans was organized under the command of General Lincoln, and in time the uprising was suppressed. Shays was among the prisoners taken. So strong was the popular sentiment for the leaders, fourteen of whom had been convicted and sentenced to death, that the incumbent Governor Boudoin who was candidate for re-election suffered defeat at the polls, and his successor, Hancock, promptly pardoned all the prisoners upon assuming office.[13]

It is a tribute to the sense of justice and magnanimity of the American people that Shays himself was eventually pensioned as a veteran of the Revolutionary War,[14] while one of his supporters was elected to Congress.[15] This episode gave occasion many years later for Jefferson's remark that an occasional insurrection was necessary to keep the spirit of liberty alive among a free people.[16]

That Shays' Rebellion was not an isolated incident was observed by the outbreak of mass revolt against the manner in which government was operating in New Hampshire, Vermont and Rhode Island.[17] Nothing illustrates McMaster's smugness so much as his handling of the situation in New England at that time. As for him, the rebels against the existing order acted in defiance of God, law and order, and summary handling of them would be none too swift.[18]

Rhode Island on its own account had acted with exemplary vigor, but in a manner to fill all good people, who necessarily are always the well-fed, the well-clothed and the well-financed, with intense alarm as to what the world was coming to, and where the world was headed for. It seems that the creditor class got control of the Rhode Island legislature and proceeded to issue paper money on the theory that if paper was good enough to give to rich army contractors, it was also good enough to give to harried debtors to help settle their burdens.

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[11] History of the People of the United States—McMaster, Vol. I, p. 318.

[12] The Critical Period in American History—Fiske, p. 181.

[13] The Critical Period in American History—Fiske, p. 184.

[14] History of the United States—Hildreth, Vol. III, p. 542.

[15] Ibid., Vol. IV, p. 42.

[16] Ibid., Vol. VI, p. 141.

[17] The Critical Period in American History—Fiske, p. 185.

[18] History of the People of the United States—McMaster, Vol. I, pp. 391-2.

McMaster's picture of that state is tear-filling; of streets with boarded-up stores and merchants in despair, and idle men chattering like magpies.[19] The venom pouring out of his pen is reminiscent of the diatribes directed by the plutocracy against the French Revolutionaries. Rhode Island even went so far as to prescribe a Test Oath that a piece of paper that had a dollar printed on its face is therefore as good as a Spanish piece-of-eight. Because such debts could be discharged upon presentation of paper money to the creditor, should he refuse to accept it, the courts were ordered to legalize the expiration of the obligation by signing a writ which began with Know Ye—. Among the commercial elements Rhode Islanders became known derisively as Know Ye men, and the State nicknamed Rogue's Island.[20] Now all that is doubtless irregular, and of course absurd, but it was illustrative of a general condition in the country for which adequate remedies had to be found, besides pouring scorn and contumely upon those who wrestled with the problems of their day in their own unorthodox way.

INCREASING DISREPUTE OF THE CONTINENTAL CONGRESS

Even while the war was in progress the influence and authority of the Continental Congress began to decline. Having signed a treaty which called for the settlement of the claims asserted by Tories, it was unable to enforce that provision. It was unable to regulate commerce. It was unable to raise money or levy taxes. It was unable to meets its obligations. It was unable even to prevent itself being turned out-of-doors by a group of eighty drunken soldiers in the midst of a capital city of thirty-two thousand people.[21] Towards its end, the Congress had the greatest difficulty in obtaining a quorum for the transaction of necessary business.

But then what man with a sense of personal dignity, and having more important things to do, would undertake an arduous journey to attend sessions which is the words of one commentator "resembled the play of boys rather than the deliberations of men"? [22] The state government during the Articles of Confederation was the real seat of honor and authority, and ambitious men centered their thoughts upon careers within the thirteen separate sovereignties loosely banded together in a confederation as if to prevent effective co-operation. It is characteristic of the times that Massachusetts during the Shays' Rebellion refused to appeal to Congress for aid on the ground that it would be beneath her dignity to defile its sacred soil by the tramp of an outside army.[23]

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[19] The History of the People of the United States—McMaster, Vol. I, pp. 332-3.

[20] The Critical Period in American History—Fiske, p. 177.

[21] Ibid., p. 113.

[22] The History of the People of the United States—McMaster, Vol. I, p. 201.

But the weakness of the Continental Congress was not an indication of a weakening in the moral fiber of the young nation. Its decline was due to the fact that it had performed its historic mission, which was to organize and guide the revolutionary forces of the colonies toward independence, and it had lingered on out of sheer necessity after its mission was accomplished. That necessity was, after peace had been declared, of a negative nature in the eyes of history. The foundation of the Confederation was laid in the colonial status of the emergent states. The facts of life had outrun the intellectual stature of its leadership which had been developed out of that status.

Proof of the utter historical inadequacy of the pragmatical mind is evidenced by the thoroughly practical manner in which the Congress statesmen set about the task of organizing the Confederation. This was not for some temporary objective, nor dictated by the exigencies of the moment, but was intended to last as long as reasonable and exceptionably endowed men could project their thoughts into the future by making adequate provision of them. "And the articles of this confederation shall be inviolably observed by every State, and the Union shall be perpetual," [24] was the solemn nature of their agreement.

It was not their purpose to set up an interregnum. That very possibility was foreign to their calculations. Every one of the thirteen Articles breathes the spirit of perpetuity. Perhaps there were some among them who had a premonition of its inherent deficiency; but if so, the force of their logic—all debates were secret as was the custom of the time—could not prevail over the practical considerations of the day.

They did not realize, they could not comprehend that the social structure which was to evolve from the status of an independent American nationality was to bring forth social forces for which their form of government would prove in a short time to be inadequate. They did not know that one of two consequences was bound to develop; either those social forces would be repressed and a stagnant society would develop, or the social forces of the vigorous Republic would over-leap their puny limitations and bring forth out of its necessities a new type of political organization which would perform the miracle of preserving decentralization in a centralized government.

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[23] The Critical Period in American History—Fiske, p. 185.

[24] Article XIII of Articles of Confederation.

HISTORICAL LIMITATIONS OF THE CONFEDERACY

Let us recapitulate the situation. The loosely-knit Confederation was no mere accident of history, nor was it the product of a single imperfect or even over-towering intellect, or of one over-powering hand. It developed out of the social structure of the colonial organization, which itself was the product of a long process of growth already discussed in detail. A strong centralized government was unthinkable in 1777 when the committee was selected for the drafting of the Articles. Surely they were not engaging in a death grapple with the most powerful empire in the world for the purpose of instituting a centralized despotism at home.

On the basis of all their traditional fears and personal experiences the ideal form of political organization would be one in which the sovereignty of the quondam colony, now the State, would be carefully preserved by every ingenuity they could devise, leaving to the Congress only those limited powers which were essential for their mutual welfare. In order to make certain that there could be no misunderstanding, a saving clause was inserted retaining for the states all powers not specifically yielded, and on top of it all, unanimity was required in all essential features. The Articles of Confederation were developed out of the colonial status and carried over into the independent status.

But something tremendous had happened during this transition. A new nation was born. The composition of the social structure was being rapidly transformed. The state, the economy and the ideological superstructure which in their totality determine the organization of society at a given time, were each in their own way undergoing a similar transformation.

These changes do not run in parallel lines. History records that one or the other will at times outstrip the rest. Unevenness develops, and as long as they are kept within bounds before they reach the breaking point, steps may be taken in time to effect the necessary modifications within the internal organization. The extraordinary differentiation of colonial life was necessarily carried over into the life of the states, but new problems which quickly emerged in the course of its national existence proved to the thinking minds of the young Republic that radical changes must be affected in the form of their union if the goal of permanency was to be achieved.

This was not the conclusion of the moment or the judgment of a few. The last four years of the long struggle for independence had witnessed an alarming, if gradual, disintegration of the authority wielded by the Congress. The four years following the formal declaration of peace afforded cumulative evidence that a new form of social organization was evolving which required a new form of government modelled after the requirements of the newer day.

It was these practical considerations which shaped and moulded the theoretical conceptions of the leaders of their time. For a young and vigorous people inured to the haphazard processes of democracy there was not much harm in waiting for experience betimes to point toward the solution. The difference between the Latin-American republics and the North American republic consisted in the fact that the Spanish colonies underwent the phase of a political revolution without experiencing that radical social re-organization which transforms the internal organization of society from top to bottom in every essential respect.

This is what really happened when the Declaration of Independence was promulgated. Its burning phrases were no mere rhetorical flourish or condescension to the passing whim of the moment. A new social power was then born, The People. Few there were who recognized the full significance of the power which was then created and was to gain shape with the coming years. It was a blind, an unthinking, a nascent power at first; but it was a power which could no longer be contained within the accustomed mould of traditional political forms.

Nor did its powers unfold themselves within a decade, or a generation, or even a century to write its message indelibly, and then expire. Those forces are still with us, and are actively operating in essentially the same blind and unthinking way. But it has long since ceased to be a nascent power. Experience has accustomed our people to the uses of power, as well as its abuses.

It is the analysis of the effects wrought by these social forces unloosed by the American Revolution that forms the substance of our history for the next one hundred and sixty years, while the manner in which these effects were produced forms the basis of what is here called the Theory of the Continuing American Revolution.

So far we have considered only some political incidents of the interregnum to indicate the fundamental weakness of the Confederation. There exists no difference of opinion among historians as to the facts. Nor do they differ concerning the proximate causes.

Most modern writers in accordance with the current style in history stress the economic factors. These were not unknown to the classical writers, as Hildreth, Fiske and McMaster demonstrate conclusively in their works. It is only a matter of emphasis with them.

Since no one yet has been able to delimit the force or range of the individual touch in history, it is difficult, if not impossible, to apportion the influence of the various factors. Fortunately that problem does not arise with the Historical Field Theory which is predicated upon the interplay of all the social forces developed from the internal relations of the social structure.

We have considered so far only the state as it existed under the Confederation because the political aspect of history is the most familiar with us, and registers so faithfully the results of the interactions between all the three elements. We must yet evaluate its repercussions upon the ideas of the people of their time, and weigh the consequences of the Confederation system of organization upon the internal economy of the respective States.

CLASSICAL WRITERS ON THE CONFEDERATION

All writers are agreed that the Confederation was a failure; many of them point out individually the composite picture of all its defects; but none of them trace it to the fundamental cause, namely, the inability of a state organization patterned on a colonial basis to function for a new nation whose requirements were essentially different from every point of view, politically, economically and ideologically. Max Farrand writes "that from the vantage point of the twentieth century, after long experience in popular government it is customary to criticize the Confederation and condemn its organization as altogether unworkable. That is probably unfair, and it certainly does not represent the attitude or the opinion of the men of that time." [25]

This sounds very judicious, but it is not very enlightening. The same men who criticize the past from the present vantage point—whatever that means—are just as short-sighted about the times in which they live, because they possess no scientific standpoint by which to interpret historical phenomena. The Confederation did not fail from lack of experience in political government any more than our present form of government with its pressing unsolved social and economic problems is a "failure" because of its inexperience with problems of contemporary government. Such words as failure and unfair as Farrand uses them are historical monstrosities. They are absolute terms involving concepts of success and fairness against which nothing can be related, and are therefore meaningless.

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[25] The Development of the United States—Farrand, p. 58.

The historical conditions of 1781-1787 reflected the standards of success and failure for their time, just as future generations will have to learn how to equate our present standards of success and justice to the problems of our own time. This they will have to do if that future generation would escape the irreverent conclusion that we were a pack of fools to allow millions of virile men and women in the very prime of life to waste out their energies on the relief roles while all about them was glaring evidence of creative work crying to be done and willing hand twitching for the opportunity at creative employment.

Our modern historians who confess that they do not understand what is transpiring under their very eyes, are by that very virtue considered competent to pass judgment upon what happened long ago through the magic intervention of perspective. The general idea is that if one looks at something long enough and if it is far, far away, then somehow the understanding becomes ripened; and where that lacks, the imagination can be called upon to supply the deficiency. John Dewey exposed the fallacy of this complascent theory exhaustively and with finality.[26]

Professor Woodward essays the modern psychological touch to history. Admitting that the post-Revolutionary American people were as befuddled and mystified as we are to-day,[27] and having proven abundantly that he has not passed out of that stage of bewilderment in the consideration of the problems of his own times,[28] he therefore feels himself eminently qualified to discuss the events of one hundred and fifty years ago.

"When the Confederation was born," Woodward writes, "the grim midwife was Local Jealousies. As a consequence the infant was frightfully deformed, emasculated and anemic."[29] The good professor is as atrocious in his obstetrics as he is in his history. An unskillful midwife might kill the mother, and conceivably an extremely homely one might kill the father, but no babe's beauty yet has been hexed by the plain features of one who facilitated its passage into this vale of tears.

Beard in his treatment of the Confederation interregnum is thoroughly consistent with his economic interpretation. After pointing out that the classical historians were invariably Federalist in their convictions and therefore prone to exaggerate the evils of the so-called critical period, he admits that the Confederation "was in effect little more than a council of diplomatic agents engaged in promoting thirteen separate interests, without authority to interfere with the economic concerns of any," and that the result was not far from ludicrous.[30] He derives a measure of comfort from the fact that the creditor, the commercial and speculative classes were among its chief sufferers,[31] but his sound sense of values finds little satisfaction in the fact that the chaos into which the United States was rapidly descending was fraught with grave domestic and international complications.[32]

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[26] This has been fully discussed in Chapter IV of the Historical Field Theory.

[27] A New American History—Woodward (1936), p. 226.

[28] Ibid., pp. 840, 873.

[29] Ibid., p. 217.

Foreign creditors began pressing for payment of interest on their loans long in arrears,[33] while Britain refused to evacuate the western posts according to the terms of the peace treaty until the United States would honor Articles IV and V of that agreement which provided for settlement of the property of Tories confiscated during the Revolution.[34]

FUTILE ATTEMPTS TO MAINTAIN THE NATIONAL DIGNITY

Congress sought to obtain the assent of the states to an amendment to the Articles of Confederation allowing it to raise money by a tariff imposed on enumerated imports. This power was to be limited to twenty-five years, and provided strictly that the revenues were to be applied only to the payment of the public debt and in no way to be used for current expenditures. Out of deference to State-right apprehensions, its collection was to be left to State officials, while Congress was to act merely as the disbursing agent for the whole.

Reasonable and honorable as the whole scheme was in its very essence, three years passed before the consent of nine of the thirteen states could be obtained. In the end it was defeated by the failure of only one of them, New York, to ratify the amendment.[35] It was not that the states were reluctant to concede some necessary revenue to the capital government; the debatable question was the source of this revenue, and the fear that an independent income would create a tyranny similar to the one which they had with such difficulty overthrown.

[30] The Rise of American Civilization—Beard, Vol. I, p. 300.

[31] Ibid., Vol. I, p. 306.

[32] Ibid., pp. 307-8.

[33] Financial History of the United States—D. R. Dewey, p. 48.

[34] Documentary Source Book of American History—MacDonald, pp. 207-8.

[35] Financial History of the United States—Dewey, p. 51.

Massachusetts the mother of colonies, in fact felt the stirring of a new nationality deep within her own ample loins. Upon the conclusion of the war, the long pent-up accumulation of English goods swamped these shores. The old Commonwealth therefore passed a law to protect its domestic industries by prohibiting importations of fifty specific articles from her sister sovereignties, even if they came in a roundabout way from the states.[36]

DECLINE OF THE DEMOCRATIC SPIRIT

Nor was the ensuing chaos favorable to the growth of the democratic spirit. On the contrary, reasonable minds were quick to sense the danger to popular institutions and urged reformative measures before it was too late. Among them was Washington, who Beard insists, with a peculiar bias toward that great man which is most unaccountable,[37] was thoroughly frightened at the situation and renewed his efforts for a stronger central government. At least he pays tribute to Washington's patriotism. But others were not so well-disposed to our young Republic. A definite movement was on foot for setting up a monarchy with the Duke of York, second son of George III as King.[38] Such fears were frankly expressed in the private correspondence between Madison and Washington.

That the spirit of democracy had not penetrated deep beneath the skin of the old-line aristocrats was evident in every section of the population which contributed its quota to the men of affairs. The radicals among the colonists who had planted the seed of revolution, had nurtured it in times of hardship, and had contributed much to the final success of their cause had outlived their time on the stage of history. Beyond that they were not prepared to go. They had not thought out the problems to be met with after the war, and consequently were not prepared to meet them when they arose.

Such was the fate of Samuel Adams.[39] In his own way, that was the fate of Jefferson. Despite all the facts to the contrary, he insisted that "with all the imperfections of our present government, it is without comparison the best existing or that ever did exist." [40] Such simple faith in the ultimate of human achievement could not but result in disaster if rigidly maintained. Fortunately Jefferson was wiser in his practical conduct. At the other end of the current political philosophy was John Adams' insistence that some check must be placed on the further growth of unbridled and formless democracy by some appropriate policy of the rich, the able and the well-born;[41] an unfortunate phrase which turned up to plague him in his later career.

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[36] Financial History of the United States—Dewey, p. 52.

[37] The Rise of American Civilization—Beard, Vol. I, pp. 307-8.

[38] History of the People of the United States—McMaster, Vol. I, pp. 393-437.

[39] The Critical Period in American History—Fiske, p. 184.

[40] Development of the United States—Farrand; quoted on page 59.

In truth, none of the colonial leaders had expected these complications which were threatening to overwhelm the Republic. They had reasoned that all impediments to the future growth of their country had been removed by the attainment of its independence from external restraint. In the six years between the formal promulgation of the Articles of Confederation and the calling of the convention for their amendment, which was to produce instead an entirely different form of political organization, these revolutionary leaders had seen their synthetic federation gradually disintegrating into its component thirteen units.

With the establishment of peace in 1783, followed by its internal chaos the United States had lost her position as the coddled infant prodigy in the polite salons of the world and was treated, where recognized, with that indulgent condescension which the well-mannered assume to disguise their indifference or contempt.[42] Statesmen are essentially pragmatists who improvise for the day what they had neglected to provide for the day before. Thirteen little combined sovereignties did not make one sovereign; and in fact all efforts were directed to render impossible the evolution of a central authority before whom they would stand in awe. Jefferson was happy, and Washington was perturbed. But in between these extremes of social philosophy, there were a host of other Americans whose particular problems we have now to consider.

The Developing National American Economy

NEED OF DOMESTIC MERCHANT CAPITAL FOR A STRONG CENTRAL GOVERNMENT

For deep within the womb of contemporary society a new form of social organization was maturing. During the colonial period we observed that the policy of the mother country was consistently directed toward the suppression of manufactures and the fostering of those domestic products which could be used in payment for colonial importations.

[41] History of the People of the United States—McMaster, Vol. I, p. 469.

[42] Development of the United States—Farrand, pp. 80-1.

Among the immediate causes of the revolution was the imposition of restraints upon American commerce. After independence had been achieved, the American merchant found that the ports of the British Empire at which he had been accustomed to call on the same footing as any other Englishman, now treated him as a foreigner, subject to all the restrictions imposed by England on foreign-borne commerce.[43]

Now that Spain and France were no longer our allies in a struggle against a common enemy which each waged in the furtherance of its own national objectives, these countries began to apply their discriminatory laws against foreign shipping. Farrand speaks enthusiastically about the wonderful adaptability characteristic of Americans, but at the same time he must concede that the transition period was slow and painful. In short, hard times were the aftermath of independence.[44]

In this conclusion Farrand finds himself at one with every other historian of this period. But it is one thing to speak of hard times; it is a far different matter to ascribe to the economic factor a determining role in the tremendous consequences which led to the founding of our Federal Union. Since this is vital to the Historical Field Theory it is important to emphasize that in pursuing this matter in detail we are not engaging in a mere verbal dispute.

DISTINCTION BETWEEN THE ECONOMY AND ECONOMIC INTERESTS IS FUNDAMENTAL

There is a heaven-wide difference between an economy and economic interests. An economy is based upon the laws of production and exchange which characterize a particular epoch of civilization. That men must depend upon the products of land, sea and forest is a nature-imposed condition of their existence. Only in a particular era of society, that of Civilization, are the forms of production and distribution sufficiently regularized as to free large sections of the population from the necessity of labor by living on the products of the labor of others.

We distinguish four epochs of Civilization—the Asiatic based on communal tillage, the Graeco-Roman based on slavery, feudalism, and modern capitalism. An economy cannot develop upon its own base independent of the social structure within which it takes form. In doing so the component elements of the social structure—the state, the economy and the ideological superstructure—undergo a parallel transformation dependent upon the nature of the internal and external stresses to which it is subjected.

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[43] Development of the United States—Farrand, p. 66.
[44] Ibid., pp. 67-8.

The economy of the colonial period was developed out of the relations then subsisting between the colonies and the mother country. Upon the successful termination of the revolution, the American Republic found itself confronted with a new set of economic factors whose nature was not understood at first, but whose effects were clearly felt by all classes. It is our duty to consider the nature of these social forces with which the Confederation attempted to deal, or rather to evade, in its own fumbling fashion. A hand stronger than its own was necessary at the helm, and that power was slowly gathering for the epoch-making consequences of the Constitutional Convention.

Economic interests are the active elements of an economy. Whereas the economy is primordial, and its nature hidden from the pragmatical observer, the same practical type of mind prides itself upon the keen appreciation of its direct material consequences. If a knowledge of the laws of capitalist economy were required of every capitalist, few among them could function within its processes. Their lexicon consists principally of buying cheap and selling dear, and all the rest is filled in by the tricks of the trade to accomplish the first and to realize the other.

There are no class of people more ignorant of the laws controlling their business affairs than the capitalists themselves. We have already adverted to the fact of the economic depression which existed during the Confederation. Few then realized the nature of the underlying causes, not even the brilliant men who engineered the proceedings of the Constitutional Convention. Their viewpoint was as narrowly political in accordance with the dominant philosophy of their age, as that of modern commentators is narrowly economic determinist.

Farrand tells us that by 1789 business had revived and conditions were generally improved. "Instead of fear and distrust breeding opposition," he writes, "commercial confidence led the people of the United States to give support to the experiment of putting government on a more stable basis. The Constitution was floated on a wave of commercial prosperity."[45] Obviously the return of prosperity ante-dated whatever beneficial influences might flow from this government under the New Roof. Patent also was the fact that the deliberations upon its creation developed out of the existing social chaos, and not merely the temporary economic difficulties in which the country then found itself.

[45] Development of the United States—Farrand, pp. 74-5.

It must be apparent, therefore, that good or bad times were but the superficial evidences of more fundamental causes which cooperated in creating the present Federal Constitution. If recurrent or even chronic economic disorganization was in itself a sufficiently powerful motivating influence in effecting transformations in our form of government, it were a miracle that the present one has survived in substantially its same form over a hundred and fifty years in view of the dozen major and minor crises which have dogged it since the beginning of the nineteenth century.

Every one-sided interpretation of this period of our history can find grist for its mill which, when left by itself, would constitute conclusive proof for that particular dogma. At no time than during the Confederation were the independent farmers and mechanics of the middle and northern states more prosperous.[46] The prices of farm products and the wages of mechanics were fifty per cent higher on a cash basis in 1784 than those of ten years before.[47] When we consider that the small farmers were by far the great majority of the population, one is considerably perplexed by the doleful picture the same McMaster paints about the low state of trade and commerce, until we bethink ourselves that the concentrated economic and political power wielded by that class far outweighed in political importance that of the larger segment of the population.

Consequently it is not strange when Beard, who never allows a target for some good first-class economic muckraking get by him, adverts to the testimony of Franklin that the prosperity of the country in 1787 never was so great, and he refers to the supporting testimony of Henry B. Dawson that the alleged chaos of the critical period was a figment of the political imagination.[48] Beard himself is conscious that he is proving too much, and falls back with a fine display of irony upon the justifiable dissatisfaction of financiers, speculators and profiteers in this post-war period.

But at no time does he tell us why such a period must necessarily be one of great social dislocation. The aftermath of the First World War also had its period of social dislocation, but when the smoke of battle had cleared the power of finance capital was more firmly entrenched than ever in the councils of the nation to be followed by the extraordinary orgies which characterized the 1920's.

The post-war period in the 1780's was followed by the surrender of the powers of government by the merchant class to a combination of the rising industrial and financial capitalist class in a temporary

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[46] History of the People of the United States—McMaster, Vol. I, p. 272.

[47] Ibid., p. 284.

[48] The Rise of American Civilization—Beard, Vol. I, pp. 303-4.

fusion with the Southern aristocracy which supported the revered Washington. That indeed was a radical transformation, but we are kept in the dark by the classical writers as to how or why this transformation was effected, and what precisely it signified. Few of them even recognize in the Federal Constitution an instrument whereby the economic basis of American society was to be transformed from a merchant capitalist to an industrial capitalist basis; and in truth fewer still could distinguish any difference between the two. Yet the entire course of our history for the next seventy years was to revolve around the ensuing struggle between the Southern aristocracy and the Northern industrial capitalist class for the mastery of the state. Our segmentation of historical writing has produced scholars who can see the parts but who lose sight of the whole.

Lippincott clearly discerns the economic forces let loose by the Revolution whereby "the scene was cleared for the appearance of a new type of leader who was much more a man of affairs than the merchant prince." [49] The effect of the war by non-intercourse with foreign countries and the demands of the war was to stimulate manufacture.[50] Both he and Beard emphasize the social consequences following upon the driving out of over one hundred thousand Tories from the United States during and after the Revolution.[51] Since most of them were the aforesaid merchant princes and other pillars of society, new pillars arose to take their places, but in a society which they were constructing in accordance with the new historical situation.

THE EMERGENCE OF AMERICAN INDUSTRIAL AND FINANCIAL CAPITALISM

Hildreth, as always the faithful recorder of facts, gives a graphic description of this unseen revolution which had taken place within the structure of society. "One large portion of the wealthy men of colonial times had been expatriated," he wrote, "and another part had been impoverished by the Revolution. In their place a new moneyed class had sprung up, especially in the eastern states; men who had grown rich in the course of the war as sutlers, by privateering, by speculations in the fluctuating paper money, and by other operations not always of the most honorable kind." [52]

[49] Economic Development of the United States—Lippincott, p. 205.

[50] Ibid., p. 209.

[51] Rise of American Civilization—Beard, Vol. I, p. 291.

[52] History of the United States—Hildreth, Vol. IV, p. 466.

This newly-rich class had introduced a luxurious manner of living whose flash is easily acquired, and as easily arouses the envy of those who had been on the same social level with them only a few years ago. The importations from Great Britain in years 1784 and 1785 had amounted to thirty million dollars while the exports did not exceed nine millions. Such a disparity had to be met in part by the export of cash and the accumulation of further debt.[53]

Far-seeing speculators in the revolutionary war debt were buying up the depreciated bills from tradesmen, contractors and the veterans of the struggle with the object of realizing vast profits in their subsequent redemption by the government. Land development schemes made and lost fortunes for their promoters, but always at the expense of the general public. During the war Robert Morris had organized the Bank of Pennsylvania, with the approval of Congress, for the purpose of facilitating the credit operations between an impoverished government desperately in need of supplies for its starving army while itself it was dependent upon the bounty of foreign governments,[54] and the usurious loans of private interests abroad.[55] A new banking fraternity had arisen, which was later to organize the First Bank of the United States, composed in a large measure of the self-same monopolizers and forestallers whom Washington had denounced with burning indignation as the "murderers of our cause." [56]

ROLE OF THE LEGAL FRATERNITY

All these groups were to be most ably served by that specially trained group of apologists and defenders, the legal fraternity. If one desires proof of the proposition that lawyers as a group are the spokesmen of the prevailing ruling class and not the leaders of revolutionary causes, as Beard and others seem to imply, from their role in pre-Revolutionary days, they have but to turn to the history of jurisprudence since the founding of the Republic. In truth, of all social groups at the time none were more despised by the masses than lawyers.

McMaster whose sympathies are far from democratic writes: "With the merchants, in the condemnation of the multitude, were joined the lawyers. Indeed, of the two classes, the members of the bar were the more hated and despised. The mere sight of a lawyer as he hurried along the street was enough to call forth an oath or a muttered curse from the louts who hung round the tavern." [57] In a popular newspaper of the time its readers were warned against supporting lawyers who pleaded with mealy mouths for their support at the polls only to be able the better to serve their true masters in the legislative assemblies for an additional price.[58]

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[53] History of the United States—Hildreth, Vol. IV, pp. 466-8.

[54] Fiscal History of the United States—Dewey, pp. 52-5.

[55] History of the United States—Hildreth, Vol. IV, p. 260.

[56] History of the United States—Hildreth, Vol. III, p. 272.

These observations on the times is fully supported by Hildreth.[59] With true instinct the masses of the people in those early days realized that there was no inherent relation between proficiency in the law and the passage of legislation which would serve their interests as against those who would exploit them.

NEED FOR A STABLE AND UNIFORM CURRENCY BY THE DEVELOPING CAPITALIST ECONOMY

Modern business relations are inconceivable without a standardized currency; it may be a depreciated currency, but at least it should be uniform throughout the jurisdiction of the national government. The coining of money and the establishment of its value is of the essence of sovereignty. This semblance of power Congress was compelled to surrender to the States in 1781 when its paper had so far depreciated that it failed to pass as currency and had become the sport of speculators.[60] A year before the Congress had attempted to stabilize its paper currency at the rate of forty to one in the precious metals, but even this tremendous depreciation did not register its real purchasing power.

But a country cannot get along without some medium of exchange. The separate states were each jealous of their right to issue money, and were not loath, as we observed, to make most generous use of that power. In time that, too, was rendered worthless by its inconvertibility. The result was that in 1784 there was being used as the common medium of exchange in this independent nation the currency of England, France, Spain, Portugal and Holland because its own was unacceptable.

Every commentator upon the Confederation phase of our history points out the chaotic state of the currency of that time. Among them are such distinguished writers as McMaster, Beard, Hildreth, Fiske, Farrand, Woodward, J. T. Adams, and Schlesinger. Without exception each of these writers falls into that common though often unconscious error which consists of interpreting the affairs of one historical period in the terms of another. The economic foundations of the modern national state demands a common medium of exchange, even though its value be fluctuating, because the preponderant mass of goods assume the form of exchange values before they drop out of circulation as use values.

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[57] History of the People of the United States—McMaster, Vol. I, p. 302.

[58] Ibid., Vol. I, p. 254.

[59] History of the United States—Hildreth, Vol. III, p. 466.

[60] Economic Development of the United States—Lippincott, p. 124.

American society in the 1780's was not solidly organized on a national basis. It was overwhelmingly agricultural. In the South where plantation economy prevailed, the growers of staple exports were in effect the subsidiary agents of an economic process controlled by English firms to whom they were chronically in debt because of the social factors involved in that mode of production. Money to them was principally money of account [61] for the purpose of keeping reckonings; and since the planter seldom had cold cash due him after a settlement the planter was, practically speaking, unconcerned about the currency problems which historians like to invent for him.

In the Middle and Northern States, the great mass of people were independent farmers, producing on their own land and within the household most of the goods which they consumed. A small cash crop was necessary for that minimum of purchases which had to be made, and that was generally consummated upon the rare visits to town and often on a barter basis. Within his limited radius of community interests, no matter what the medium of exchange happened to be, that was agreeable to the farmer so long as he had enough for his modest requirements.

Fluctuation of value in monetary units apply just as well to a single national currency standard, as to a multiplicity of such units. When McMaster, for one, points out that in the 1780's "the schoolboy, therefore was expected to convert, with some readiness, the local pounds and shillings of his state into dollars and joes, and to know the rules for turning York money into Pennsylvania money, and be able to tell how many shillings and pence a pistole contained in the various sections of the country," [62] he is emphasizing a classroom difficulty rather than one of real life.

For the overwhelming mass of people this actual problem did not exist. What McMaster is alluding to, insofar as his point possess historical merit, were the difficulties confronting the infinitesimally small group of inter-state merchants, who could be depended upon to solve these problems in a manner highly profitable to themselves.

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[61] Critique of Political Economy—Marx, pp. 87-8, 187.

[62] History of the People of the United States—McMaster, Vol. I, p. 23.

Of the same nature is Fiske's broad-stroke method of historical picture-painting which passes for historical philosophy. After referring with ironic humor to Bradshaw's pellucid clearness in comparing the American tables of exchange in 1786 with their medley of dollars and shillings, moidores and pistareens, which really would challenge a mathematical wizard, he adds: "The addition of half a dozen different kinds of paper created such a labyrinth as no human intellect could explore. No wonder that men were counted wise who preferred to take whiskey and pork instead." [63]

If Fiske had been less fond of the broad generalization, where too often the purely logical abstraction is substituted for the rigidly scientific critical observation, he would have discovered the solution to his conundrum in the fact that the average man effected his exchanges on the barter system with a minimum of currency to equalize the transaction. He would have recognized that no highly organized economy on the capitalist system of commodity production could have been possible on the crazy-quilt monetary basis which he analyzes, and that in fact such an economy did not then exist. He would have seen that the currency problem affected only a minute fraction of the total population; and that the logical difficulties existed only for the unfortunate school-room occupants who wracked their heads over it in the same fashion as their present-day successors do over quadratic equations.

RELATION BETWEEN THE NATIONAL STATE AND AMERICAN CAPITALISM

Political revolutions are seldom effected because of logical difficulties. These problems merely reflect a fundamental transformation within society itself which expose the inadequacies of the existing system to meet the requirements of the day. A national currency is an inestimable convenience for a national economy, but such an economy must only make its requirements felt in order to have its wants satisfied.

What was really happening during the 1780's of American history was the transformation of the state organization developed out of a colonial economy based on the supremacy of merchant capital to that which was necessary for a state adequate to meet the requirements of industrial capitalism. The very existence of our nation as an independent sovereignty de facto since 1775 and de jure since 1783 in the eyes of all the world, compelled the submergence of merchant capital and the transference of economic supremacy to industrial capital. This, as our analysis of the Expansion Period will show, was actually accomplished.

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[63] The Critical Period in American History—Fiske, p. 171.

The more detailed theoretical presentation of the political, economic and ideological forces which impelled this transformation will have to be reserved for a more comprehensive History of Capitalism in the United States. However, sufficient proof will be here adduced to establish conclusively that a virile national existence was impossible without industrial capitalism; and conversely, that the development industrial capitalism was impossible without a powerful national state.

In this fact lies the secret of the different roads pursued in the growth of the American Republic during the nineteenth century as compared to that of the Latin-American Republics. The differences of their respective social structures had already been discussed; and since the component elements of that structure are not readily modifiable by a political manifesto, or even by a liberal constitution, it is not to be wondered at that the quondam English and Spanish colonies in the New World in their independent status pursued radically different roads in their subsequent development.

CHAPTER VIII

The Political Inadequacy of the Confederation

SUBSIDENCE OF THE REVOLUTIONARY AND DEMOCRATIC SPIRIT UNDER THE CONFEDERATION

DESPITE the glowing phrases of the Declaration of Independence, the People—that generic term for the subdued masses who formed the background of history—did not spring forth on the instant fully caparisoned with the elements of democratic power to enact the role for which God and Jefferson destined them.

That they fought and won the Revolution is one thing; seldom in history does a ruling class confine its fighting to members of its own ranks outside of Middle Ages tournaments and the dueller's field of honor. After the Revolution was won, the people receded into the background from which they had temporarily emerged, only this time on a stage where the setting was to bring them more and more to the fore.

But in the 1780's the democracy of which we now speak so knowingly did not yet exist; only its nascent elements were imbedded deep in the structure of the new society which was being reared on the indestructible achievements of the Revolution. The so called upper classes—the planters, merchants and industrialists; the bankers and speculators in land, in paper money and in public debts; the statesmen, politicians and lawyer retainers for the whole, together with their families—did not exceed ten per cent of the population.

Still for that period they constituted by all odds the most influential class. Their power came not so much from their superior intelligence as from their ability to muster their forces in such manner as to make them the preponderant power in contemporary society.

Between the aristocratic elements who derive their influence from the fact of birth and social position, and the middle class which obtain theirs by reason of wealth, there exists an irreconcilable conflict. Both those elements sought for allies among the People, until by gradual concession of political power to the masses they joined in creating the social force which has already broken the southern aristocracy as a consequence of the Civil War, and who to-day in a temporary alliance between the descendants of that all powerful aristocracy in the Democratic South are preparing to accomplish the defeat of monopoly and finance capitalism through the broad social objectives of that amorphous concoction called the New Deal.

In this brief statement is contained the essence of over one hundred and fifty years of our history, and it is the aim of the remaining portions of this work to disclose the nature of the social forces which are at work to effect the economic as well as the political and ideological coming of age of the American People.

The principal actors in this vast social drama are in the main unconscious of the role which they are thus enacting, but that does not in the least militate against the efficacy of their efforts which will result in the establishment of an ultimate industrial and social democracy, whatever their individual predilections in the matter might be.

This outcome will be the result not of some blind or unalterable destiny, but will be the necessary consequence of the operation of the social forces within American society, whose nature is established through the aid of the general Historical Field Theory and its particular application in the Theory of the Continuing American Revolution.

DIFFICULTIES ENCOUNTERED BY THIRTEEN SEPARATE SOVEREIGNTIES IN A LOOSE FEDERATION

Illustrative of the particularist state tendencies of the Confederation are the restrictions placed on inter-state commerce by the separate states, with an eye to their own advantage. "When Massachusetts, for example, proposed to pass laws for the protection of its merchants and ship-owners other nearby states adopted measures to obtain some of the commerce that might be turned away from Massachusetts," wrote Lippincott. "If Pennsylvania imposed a duty on goods imported from abroad, it was to the advantage of New Jersey to admit goods free." [1]

How vital an all-embracing national trade system was for the old Commonwealth can be understood in the fact that Massachusetts had already developed a thriving manufacture of her own and in 1787 was importing only one half of the industrial products she took twenty years before, though her population was twice as large, and her wealth had increased in greater proportion.[2]

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[1] Economic Development of the United States—Lippincott, p. 126.

McMaster draws a classic picture of this state sovereignty to the very limit of its absurdity under the Confederation, though it was the logical consequence of a state organization evolved out of a colonial ideology no longer in consonance with the faster tempo of a developing national capitalistic economy. It seems that New Jersey and Connecticut had developed a thriving trade in poultry and dairy products exchanged for cord-wood from the Nutmeg State. Obviously this water-borne traffic had to pass through the immediate waters of New York. Whereupon its Legislature determined to crush this trade which it felt belonged to its citizens and enacted a law which compelled the boats of Connecticut and New Jersey to enter and clear its Custom-House on the same status as any foreign ship. In retaliation New Jersey determined to levy a tax of thirty pounds a month on property within its border owned by New York at Sandy Hook for the purpose of maintaining a light-house at that point to guide ships into its magnificent harbor. Connecticut also organized a league to boycott all New York products, and were bound by oaths of eternal loyalty and fearsome maledictions against the piratical policies of its sweet sister state.[3]

Economic interpreters of history can find plenty of material in those records illustrative of the difficulties which they interpret with twentieth century eyes cast upon a late eighteenth century scene. The fact remains that all these incidents were but surface indications of vastly more complex forces which were welding thirteen indestructible state sovereignties into an inseparable Federal Union.

ECONOMIC INFLUENCES IN THE CALLING OF THE CONSTITUTIONAL CONVENTION

Fiske in another vein expands upon the chain of circumstances which led finally to the submission for the ratification by the States of a proposed plan for a Federal Union. Virginia and Maryland by their geographical propinquity were mutually interested in extending the navigation of the Potomac, while Washington had visions of joining that stream with the head waters of the Ohio. At his instigation, the two states appointed a joint commission to explore the subject, and in 1785 they met for consultation at Washington's home in Mount Vernon. At the same time their far-sighted host suggested the advisability of agreeing upon reasonable commercial regulations and a uniform currency.

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[2] Financial History of the United States—Dewey, p. 77.

[3] History of the People of the United States—McMaster, Vol. I, pp. 404-6.

The results of the commission's deliberations ultimately reached their respective Legislatures for approval. While the subject was under consideration Madison maneuvered the parliamentary situation to involve both Delaware and Pennsylvania on a Delaware River and Chesapeake Bay canal project. At the same time Maryland at Madison's instigation suggested calling a conference of all the States to send commissioners for the purpose of agreeing upon uniform regulations for commerce and currency. To this Virginia agreed, and so a call was issued for such a convention to gather at Annapolis in September 1786.

Upon the day appointed five states were duly represented, four had appointed delegates but they had not arrived, three had failed to act upon the invitation, while Maryland, the ostensible mover but at Madison's instigation, had neglected to appoint commissioners. However those who did come resolved to issue a call for another convention empowered to go beyond the scope of this Annapolis conference which was limited to the evolvement of a commercial system essential to the permanent harmony of the States. Such was the origin of the call which resulted in the meeting of the Constitutional Convention at Philadelphia in May 1787.[4]

IRREGULAR PROCEDURE OF THE CONSTITUTIONAL CONVENTION

From a strictly logical standpoint the Constitutional Convention was without legal standing. It was an upstart, and its illegitimacy in the eyes of political prudes was beyond dispute. So argued Rufus King in the legitimate Congress of the Confederation which had fallen into such disrepute that nobody any longer paid attention to it.

In this Congress Delaware and Georgia had long since ceased to be represented. During the six years between the Peace of Paris and the formal inauguration of the Federal Government under the Constitution, this Congress was rarely attended by as many as twenty-five delegates out of a total eligible membership of ninety-one.[5] Very often even a meager quorum for a formal meeting could not be mustered. Only twenty delegates were present at the time when Washington submitted his final report, and at the same time tendered his resignation as the head of the military forces whose officers at Newburgh had plotted to make him king. Long after it had outlived its historic usefulness the remnants of the once powerful revolutionary body voted to support Rufus King in his denunciation of the call for the Convention at Philadelphia as highly irregular, improper and withal absolutely illegal.

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[4] The Critical Period in American History—Fiske, pp. 213-17.

[5] The History of the People of the United States—McMaster, Vol. I, p. 132.

But that was not all. Any lawyer with half an eye could see that the Convention in proceeding to scrap the Articles of Confederation instead of amending them went beyond the scope of their powers, to raise, as clear an open-and-shut case of ultra vires as ever delighted the legal fraternity.[6] Unfortunately for these legalists every great historical situation finds itself in open conflict with their formal limitations. Otherwise history would be a drab repetition of uniformities. Had the regularly ordained Congress been willing or strong enough to challenge by force the usurpations of the Philadelphia Convention a new situation would have arisen. But the Congress was helpless to enforce its bitter protest. Its very helplessness was responsible for the circumstances which brought the Constitutional delegates together in 1787.

Nor was its weakness one of those unfortunate accidents of history upon which romanticists love to dwell. It is not in the nature of such a revolutionary body to cavil at enlarging its authority. The men who had engineered the work of the Continental Congress were still in the prime of life. They did not hesitate at acts of aggrandizement amounting to usurpation when the historical situation called for it.

The Congress of the Confederation was its lineal descendant. But historians will note that long before the Articles of Confederation were formally proclaimed the Continental Congress was lapsing into innocuousness. Obviously that was not the fault of its leaders, but rather the direct consequence of a hang-over colonial ideology where each governmental unit was self-sufficing under the general authority of the mother government. That authority irked them to the point where they were ready to overthrow it by resort to the ultimate arbitrament of force, which is the basis of state sovereignty.

During the course of this struggle and in the early years of their independent existence it would have been absurd for the new-born state sovereignties to surrender even a portion of their power to the very type of central authority they had striven so valiantly to overthrow. The Congress was intended to serve only as a clearing house for that minimum of inter-state contact which their entire history from the beginning of the eighteenth century on had shown was unavoidable among the colonies of the Atlantic seaboard. But this was an obvious necessity, and on vital matters unanimity was required in order to preserve the dignity and precious sovereignty of each of the associates.

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[6] New American History—Woodward, p. 231.

TIME-LAG BETWEEN OUR THINKING AND THE CHANGING REALITIES OF EXISTENCE

Some few among the Revolutionary leaders had discerned the political forces which made a firmer union necessary. As for the great majority, steeped as they all were in the political lore of bygone social institutions, they did not appreciate the full significance of the external realities which had gradually matured to the point where the political forms adapted from the colonial status were incompatible with their further development. They were, however, quick to adapt their ideological reactions to a new situation which they could grasp only from its political aspects.

It is in the nature of social movements to consolidate their forces about immediate objectives which are within the range of the average mind. For such purposes slogans, catch-phrases and dogmas exercise an extraordinary coagulating influence. One would imagine that all would-be history makers have to do is to devise a proper slogan. They forget that these tremendous social catalysts can operate only in a suitable medium where the social atmosphere has already been prepared for their reception.

The American slogan-makers of 1765-1783 found themselves out of place in the new world which followed the peace. By the inexorable operation of material forces which co-operated with the ideological in forging the new state, the early democratic leaders either retired from the scene themselves or were deserted by their popular following after victory had been achieved. With the advent of a new historical situation the old formulas and dogmas were no longer in accord with these conditions, and consequently they had lost their potency in stirring masses to action.

The struggle for independence did not automatically usher in the democratic social order. Capitalist economy was thriving and ambitious, and developing a voracious appetite by the things upon which it fed. The easy-going landed aristocracy looked contemptuously upon this mere money-grubbing, and the peculiar class of upstarts which it bred. But the imperious demands of this economy would not long be denied. Such an economy could not thrive when States erected tariff walls against each other and impeded the flow of interstate commerce. Such an economy among a virile people with free institutions which allowed the widest latitude for initiative had fundamental requirements that only a strong central government could satisfy.

CHARACTERISTICS OF THE NATIONAL STATE FORM UNDER DEVELOPING CAPITALISM

First, there must be law and order. The unsettled political conditions throughout the country were inimical to the internal stability which was then its prime need. There had recently been open revolts against constituted authority in Massachusetts, New Hampshire, Vermont and Rhode Island. There was the pest of paper currency which plagued the land. The western counties of North Carolina had set up an independent government in defiance of the regular state government,[7] while the western sections of Virginia threatened to do the same.[8] Spain refused to allow the free navigation of the Mississippi where she was firmly ensconced at its mouth. Britain was still holding on to the western forts which she had agreed to surrender and thus remained a constant threat in our rear.

The second requirement of a thriving capitalist economy is the universal application of similar laws throughout the sovereignty. This was one of the driving forces which led to the creation of national units in Europe. It was just as imperious in its demands here in America. The creditor-debtor relation is one of the most basic in its processes. Harsh laws on one side were just as harmful as repudiation on the other. The obligations of contract must be respected, and should not be evaded through mountains of paper money or convenient payment suspension acts.

And yet, for the unfortunate debtor, never was his fate more hard. The country reeked with foul debtor-prisons which were an outrage to every sense of common humanity. These iniquitous dens were reserved principally for the small debtor. But occasionally even a man of large affairs was caught within its processes. Such was the fate of Robert Morris. "In every dire emergency," wrote Fiske, "he was Washington's chief reliance, and in his devotion to the common weal he drew upon his private resources until he became poor; and in later years—for shame be it said—an ungrateful nation allowed one of its noblest and most distinguished champions to languish in debtor's prison." [9] The regularization of debtor-creditor relations, together with a stable currency are of prime importance to an economy where the continuity of the production-circulation-reproduction cycle is the essence of its existence.

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[7] History of the United States—Hildreth, Vol. III, pp. 469, 539; Vol. IV, p. 141.

[8] The Critical Period in American History—Fiske, p. 201.

[9] The Critical Period in American History—Fiske, p. 167.

Lastly, the interests of important segments of the rising capitalist class coincided in the demand for the establishment of a strong central government. The speculators in government obligations sought for the redemption of their holdings upon the high ground of establishing the credit of the nation. An influential banking fraternity was anxious to obtain a national charter and the privilege of acting as the government's fiscal agent. Speculators in western lands were dependent upon the policy of a national government in lands to which the interested States had relinquished their claims. And to cap it all, there were many influential leaders of the Revolution who were determined to see the job through from the quagmire into which it had rutted down during the existence of the Confederation.

All these formed the intricate complex of motivations which led to the meeting of the convention at Philadelphia in 1787 for the purpose of revising the Articles of Confederation, but ultimately to present for the ratification of the various States a new form of government under a Federal Constitution.

A. The Composition of the Constitutional Convention

DECADENCE OF THE RADICALS OF THE REVOLUTIONARY DAYS

During recent years the style has become general among historians and legal theoreticians of the so-called progressive school to emphasize what they are pleased to term the class character of the delegates who composed the Constitutional Convention. Beard's views which form the basis of this "higher criticism" have been discussed elsewhere. After alluding to the men of property and substance who formed the overwhelming majority of that body Woodward adds: "Patrick Henry was not there. They asked him to serve, but he would have nothing to do with it. Nor was Samuel Adams, the revolutionary fire-eater. Nor Christopher Gadsden, of South Carolina, organizer of mechanics and laboring men. Their day had passed; the moving spirits of the convention did not want any organizers of rebellion, or leaders of the populace." [10]

The sober truth of the matter is that these radicals of a former day had outlived their role on the stage of history. They had nothing new to offer. Adams supported ephemeral popular rights while he remained adamant in opposing a pardon to Shays, contending that the man who dared to rebel against the laws of the republic ought to suffer death.[11] Patrick Henry stood out for state's rights against a nebulous centralized dictatorship. Thomas Jefferson would reduce all governmental intervention in the affairs of men to the irreducible minimum.

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[10] A New American History—Woodward, p. 232.

From Woodward's reference one would gather that Gadsden was the leader of C.I.O. hosts on the plantations of South Carolina that had no considerable town outside of Charleston, and no industries outside the petty ones to be found in a commercial center of that time. The proletariat as a class did not exist in the modern sense of that term, for the simple reason that the capitalist mode of production which polarizes the ownership of the means of production at one end from those who have nothing to sell but their labor-power at the other end had not begun its march toward the hegemony of the western world, and with that the control of the rest. The fact remains that in the post-Revolutionary period the radicals of 1776 in our history had become impediments to further progress in 1787.

If we accept the definition of progress developed in the preceding volume as "the opportunity for the fullest development of the economic, political and ideological possibilities inherent in the social structure of an epoch," [12] then these former radicals had become the standpatters of the newer day. They possessed no larger social program. They were content to go on as things were with some necessary minor modifications. The fact that at one time they had held aloft the banner of progress and helped forge a new nation did not justify them, in the eyes of a scientific conception of history, in standing in the way of its further realization.

There are some things these erstwhile radicals might have done had they possessed the vision, or had the times been propitious. They might have fought for the extension of suffrage, or for the abolition of slavery. They did not, because the historical realities had not brought those issues to the fore. Instead, as so often happens, the radicals during a certain set of historical conditions had become positively reactionary when the conditions changed and they neglected to adjust themselves to the new situation. So to-day does the gnarled labor union veteran of many a hard-fought battle in the cause of social progress make a pitiable figure pleading for restriction of production and the scrapping of technological improvements in order to make jobs for his fellow-workers.

In 1787 the really progressive elements in society were the speculators in lands and in government obligations, the budding bankers and financiers who visioned half a continent for them to exploit, the rising manufacturers who sought to protect their infant industries from European competition, the merchant class which aimed to remove legal and economic impediments to the flow of trade and commerce. Far from apologizing for their preponderant influence in the Constitutional Convention one should rather search for the reasons that made them so, else the foundations of our Republic would not have been so well and truly laid.

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[11] The Critical Period in American History—Fiske, p. 184.

[12] Historical Field Theory—Zucker, p. 492.

PREPONDERANCE OF PROPERTY INTERESTS HISTORICALLY INEVITABLE AT THE CONVENTION

Such an enlightened observer as Farrand apologizes for the fact that "the Constitution was framed and its adoption secured by the upper, ruling class, whose members were in general men of property and wealth and so were holders of government securities. Self-protection and their own interests undoubtedly influenced them, but the responsibility lay upon them to act as leaders, and it cannot be too strongly emphasized that, with the opportunities existing in the United States where practically every man could become a land-owner, the people in general wished to have property rights protected." [13] This is indeed a weak reply to an essentially erroneous contention. The issue is not one of property, but of property functioning as capital. Every worker to-day who owns a toothbrush, a modest home perhaps, and a well-used car besides, qualifies in the opinion of the epigone as a capitalist owner of property.

But wealth is not capital unless it functions as an income producer, with a yield sufficient to allow its recipient to assume that status in society which is usually associated with those who have an adequate independent income. There was a heaven-wide distinction between the farmer in those days who owned his land and tilled it together with his family to get a living out of it, and the Southern land-owner with his multitude of slaves who whiled away his life in the manner of an aristocratic master, or the speculator in the public domain.

Different also was the property-holder who dealt in negotiable securities or the bills of exchange in due course of trade. People whose voice would rise in indignant outburst at uncouth glossing over of distinctions of form in science or law, themselves commit the same atrocities in the analysis of social and economic forms. All capital is property, true enough, but not all property is capital.

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[13] Development of the United States—Farrand, p. 75. For a comprehensive reply to this contention see Historical Field Theory, pp. 288-93.

Farrand would not have been so apologetic had he grasped that distinction and stated boldly that in 1787, the rising capitalist class was the progressive element in society; that the Constitution then agreed upon was the best calculated to promote the welfare and prosperity of the nation; and far from assuming a shame-faced demeanor in analyzing the social composition of the Convention, he would glory in it, just as the small group of genuine Russian revolutionists of 1917 gloried in the fact that their Soviet constitution was adopted by a small clique, though acting as deputies representing ostensibly the soldiers, workers and peasants en masse.

This lack of the historic sense ceases to be astonishing, it becomes positively pitiful when such criticism is advanced as the maturest fruit of contemporary learning. In the first place, the processes of history do not wait upon the recommendation of the cognoscenti. Few intellectuals are at the forefront of history; by some saving instinct they search for the hind part of the process.

The fact remains that there was no class powerful enough to challenge the result of the Convention's labors. Whatever debate did arise centered upon the Bill of Rights, and the fear of a centralized government. The first defect was immediately remedied by additions to the New Roof as it was called. To remedy the second defect, the descendants of the state rights advocates used those shibboleths to nearly bring the roof down about their ears in a sanguinary civil war seventy years hence, when there was established with finality the supremacy of the National Power.

When Morris R. Cohen rushes to the defense of Beard in his right to search into the economic background of the fifty-five delegates to the Convention, he is just as deficient in historical penetration as was the New York State Bar Association which condemned in horror-stricken gestures such a sacrilegious attitude toward the sacrosanct Founding Fathers.[14] The issue is not whether they owned large blocks of real and personal property. The real question is: Did the Constitution fulfill its historic mission of paving the way for the fullest development of the American nation as it was coming into being?

This is the only logical question which arises in the mind of the scientific historian, for to him it must be obvious that in this direction lay the road of real progress, namely the fullest development of the possibilities inherent in the social structure of the eighteenth and nineteenth centuries as predicated upon nationalism and capi-

[14] Law and the Social Order—Cohen (1933), p. 158.

talism. It is customary now-adays among the literati to deprecate both. It is also beyond their powers to penetrate why both nationalism and capitalism were great constructive forces in the world of the eighteenth century, while to-day in the middle of the twentieth century they are definite stumbling blocks to further social progress.

ACHIEVEMENTS UNDER THE CONSTITUTION

In putting the rhetorical question of whether or not the Constitution fulfilled its mission of assisting the development of nationalism and consequently of capitalism in America, it will be necessary to demonstrate from the evolution of that development that the Constitution itself was shaped and determined by the impact of the social forces as translated by its moving spirits at a significant turning point in history.

The very able men who brought forth that impressive contribution to human progress were as limited in their social vision as are we of the present generation who enjoy the inestimable advantages of their labors. Their product was a patchwork of necessary compromises between the progressive and regressive social forces of their own time, and it would be ridiculous to assert that the very document which required both actual and tacit amendment soon after its promulgation possessed the occult power of inherent adequacy for a future society which none of them was capable of conceiving.

That the Constitution allowed for that free play of economic forces essential to capitalism's growth is a patent fact of our history. By the same token, this very economic freedom became in time an obstacle to the national welfare because of the abuses prevalent during the post Civil War period, and required the positive intervention of the government acting in behalf of the economically defenseless, but politically powerful middle class, to mitigate in part the evils of monopoly. But throughout our history under the Constitution the powers of state have performed their primary function of actively aiding the development of capitalism through the enactment of necessary legislation, by providing for its adequate enforcement sufficient to the exigencies of the particular occasion, and their consistent support by the judicial branch of the government.

That senseless belittling of the Founding Fathers is as inane as it is harmful to the progressive currents of contemporary life. The Constitution makers stand in no need of justification or defense.

History itself has long since approved their handiwork and ratified the solidity of their judgment.

From our present objective we desire only to prove one all-important thesis; namely, that the social forces which dominated the development of American history during the nineteenth century found in the Constitution their nourishment and their strength, until the time came when by application, interpretation and implication these forces controlled the whole of society; that parallel with this historic process, this self-same Constitution nurtured and developed under its aegis the growth of a contradictory power in the form of a popular democracy; that by gradual accretion, assisted, as we shall show, by intermittent popular protest and occasional mass uprisings, these powers have grown until to-day we are approaching another climactic period of our history in the titanic struggle now shaping between the forces which stand for the private exploitation of the national resources for private profit, and those which stand for the public exploitation of the national resources for the social welfare.

A LITTLE ASIDE WHEREIN THE WRITER AND THE READER CONSIDER TOGETHER THE FURTHER DEVELOPMENT OF THIS WORK

We can state now with perfect confidence what we propose to demonstrate, because the groundwork for this thesis has been laid with such scientific care in the volume dealing with the Historical Field Theory. It is somewhat unusual for the projector of a work of this character to outline in advance what he proposes to prove. The obvious reaction is to put the reader on his mettle and impel the search for flaws and weaknesses in the argument which may result in toppling the entire intellectual structure. That is precisely what we desire the reader to do. After all, this work is not a play of concepts where gradually a case is being built up where minor defects may be concealed from view until the final conclusion seems to follow ineluctably.

Later it becomes the objective of scholarship—assuming this work receives attention—to detect those flaws and point out its defects, when another historical theory is finally disproved and overthrown. Such was the method of Spengler. We spurn it, because in the end our defects must find us out. Far better that it be done now, than involve the reader in a great deal of effort, and waste of time.

We are all the more concerned to take the reader into our confidence at the very threshold of the history of our nation under the New Roof, because we desire his co-operation in the critical analysis of the unfoldment of this historical process, just as up to this point we have directed our analysis to his critical faculties in the laying down of the fundamental propositions of this theory of history.

May we, however, caution some of our readers against the detection of too obvious errors as they may appear at first thought. One sometimes marvels at the temerity of those who take up a fundamental work on a subject to which a mind as reasonably competent as their own has devoted the best fruits of a lifetime of study from many conceivable standpoints, and who with a facile turn are able—in their own judgment—to expose after a brief consideration the defects of a system which has taken so many years to construct.

It is a much more reasonable maxim for one to assume that every thinker worthy of the name is consistent with himself; it is a rare spectacle indeed to see such a mind involve itself in its own contradictions. It is the very fear of such contradictions that give rise to those years of painful and continuous re-examination and remodification of theories until the final conclusions are evolved and presented to the critical examination of interested parties.

If error exists, they must follow from two factors; first, the fundamental propositions are fallacious, or at least, inadequate; and second, that not all pertinent factors have been brought within the scope of the analysis. Neither of these basic errors can be discovered by the casual intellect, while one can rest assured that the more obvious ones that suggest themselves on general observation, have been fully considered by the writer who is properly jealous of his own and the world's esteem.

It may be suggested that this is a particularized approach to American history. That is granted. But it is also contended that no matter what the approach, the road must lead to the consideration of the character of the social structure and the nature of the social forces which it develops. In brief, whether American history be studied from the standpoint of ethics, morality, or religion; its art, literature, or general social science—or even metaphysics or astrophysics—once the methods of scientific analysis are adopted the conclusions must be the same for all thinkers who persist in their way through to the end.

Doubtless minor errors will be detected in what has preceded and what will follow, but one ventures to remind the reader of the generous maxim of Buckle that one should be judged not by the errors he commits, but by the truths he propounds.[15]

Since capitalist economy will be carefully interwoven with the thread of our history during the ensuing one hundred and fifty years, attention might profitably be drawn to the following interesting historical fact. An illustration of the common defect of first-rate but busy men in the quality of their literary criticism is observed in Lecky's effort to destroy at one blow the entire Marxian system of economics. Regardless of its intrinsic merits, it is fair to assume that if Marx was the high-grade thinker even his bitterest opponents concede him to have been, he would not be guilty of easy assumptions whose fallacy obtrudes from every page of his work.

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[15] History of Civilization in England—Buckle, Vol. II, p. 388.

Lecky undertakes to destroy the Marxian system by disproving the contention that the worker's wages are only part of the new values which he creates by his labor. "They announce as a great discovery," Lecky writes, "that the laborer is not paid out of capital, but out of his own earnings, because he produces the equivalent, or more than the equivalent, of his wages before he receives them. This statement is most obviously untrue in a vast proportion of industrial employments." Then he goes on to show that a railroad construction worker, or laborer on the fields with an annual crop is paid from accumulated capital and not in values which he has created during the immediate course of his weekly or monthly labor.[16] Hence falls the Marxian theory of surplus value.

There is one fatal error in Lecky's criticism. Marx never advanced the argument in the manner in which he destroys it. On the contrary, Marx devoted over two thousand pages of closely reasoned proof to establish, among other things, that wages are part of the variable capital which the capitalist advances, and it is absolutely immaterial to the production of surplus value whether the return of the advanced capital is effected in less than one week or slowly during the course of one, ten or a hundred years, as is actually the case in the more substantial structures of a railroad which wear out slowly, or whose virtual obsolescence is infinitesimal.

It is obvious that Lecky never mastered the theories he criticizes, as can be observed by his argument that they are "obscure, confused and tortuous in its meaning." [17] At worst, these are defects in style, but the critic will have to show that he is at least acquainted with Marx's employment of the terms with which he characterizes the various categories of capital, before he can be heard to attack their validity.

Of course, no analogy is intended by this illustration. For one thing, it is hoped that not even a pretext for criticism of the Historical Field Theory will be afforded on the ground of the obscurity of the text, and if tortuous meanings seem to be derived from the facts of American history, a great deal of their obscurity may be removed if the theory itself is understood, before it is subjected to destructive criticism.

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[16] Democracy and Liberty—Lecky, Vol. II; pp. 324-5.

[17] Ibid., p. 311.

THE AURA OF INFALLIBILITY CONCERNING THE FOUNDING FATHERS

Modern historical analysis has sufficiently deflated the absurd aura of infallibility with which the patriotic exhortations of over a century and a half have surrounded the achievements of the Constitutional Convention. In its essence the Constitution was a series of compromises built around the central core of a firmly-knit Federal Union, with a national government whose implied powers were to prove of vastly greater importance than the specific powers grudgingly yielded by the states. John Marshall, the great judicial architect of American Nationalism in his field, as Clay, Webster, Calhoun and Benton were in the political field, fully appreciated the expansive nature of the general powers granted to Congress in the last paragraph of Section Eight in Article One of the Constitution to carry out the specific powers yielded up to it.

On this point Chief Justice Hughes writes: "This was a grant of vast content. It was an express grant, although in general terms. Its significance was early appraised in McCulloch v. Maryland (1819) where it was decided that Congress had power to incorporate a bank. That power was not explicitly conferred, but it was not necessary that it should be. It was a power deemed essential to the execution of the authority granted. There was found to be no phrase in the Constitution which, like the Articles of Confederation, excluded what were called incidental or implied powers." [18]

Even such a critic of the Supreme Court as Boudin who has little respect for Marshall as the great expounder of the American Constitution either as a lawyer or as an historian,[19] places him in the first rank rather in the field of statesmanship, and as a worthy coadjutor of Henry Clay in the Young America movement [20] during the early decades of the nineteenth century which moulded the outline of the national authority. Boudin agrees with Hughes in placing the principle enunciated in McCulloch v. Maryland as the keystone in the judicial contribution to the Heroic Age of our history.[21]

It would be out of place to expand at this time on the historic transformations which the Constitution itself underwent during the past hundred years and more by the simple device of judicial interpretation. Nor has the process itself come to an end. Since the remaking of the Supreme Court by President Roosevelt, we have every justification for the confident belief that now, more than ever, will the Constitution function to cover with its ample cloak the vastly broader possibilities for adjustment to the actualities of life which searching judicial eyes, intent upon discovery, will uncover in some ordinary phrase of that well-studied document.

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[18] The Supreme Court of the United States—Hughes (1936), p. 97.

[19] Government by Judiciary—Boudin, Vol. I, p. 219.

[20] Ibid., Vol. I, pp. 276-7.

[21] Ibid., Vol. I, p. 382.

No competent scholar can take exception to the apodictical conclusion of Professor Cohen: "As a historic fact it cannot be denied that the vast body of constitutional law has been made by our courts in accordance with their sense of justice or public policy." [22] The particular decision may be based upon the grandiloquent appeal to universal principles whose cogency must be patent to all, but their effects are with an eye to the concrete realities of an historically conditioned situation.

B. Some Famous Compromises Embodied in the Constitution

THE NEGRO BOTH A CHATTEL AND THREE-FIFTHS HUMAN

Before we enter upon the consideration of the tremendous affirmative achievements of the government under the Constitution it might be interesting to note some of the compromises which were effected by the various conflicting interests within the Constitutional Convention. Perhaps the most obvious is the one relating to slavery. The importation of slaves was to end after twenty years. The Constitution writers were too ashamed to use the word "slave" in a document dedicated to freedom, and so substituted a description for a fact,[23] by referring euphemistically to persons whose labor or service lawfully belongs to another.

Constitutionally the Negro was both an ordinary chattel and yet three-fifths of a man. Only free men were entitled to vote, but the South inserted the famous Federal Ratio clause in order to increase their representation in the lower branch of Congress as based upon population. The framers once again yielded with a compromise to a hard fact which could only be resolved by the untold sacrifices of a bitter fratricidal war.

The states were placed on a footing of technical equality in the composition of the Senate, though the difficulties of that situation are more theoretical than real. In practice it was the smaller western states that were the leaven in the development of the democratic spirit of the nation. The old problem of state sovereignty arose in the possible conflict of Federal and State laws. This was left open, in the hope that the federal judiciary could compose the differences whenever they arose.[24] That issue was never decided until the Civil War, despite Marshall's sturdy resolve to extend the Federal power, and Jackson's determined action in asserting Federal supremacy in the case of South Carolina's nullification of a Federal statute in 1832.

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[22] Law and the Social Order—Cohen (1933), p. 138.

[23] History of the United States—Hildreth, Vol. III, p. 497.

Originally it was the intent of the Constitution Framers to make the President a sort of semi-royal personage removed from the "muck and mire" of the politics to which they were all accustomed, and chosen by a special class of electors of the various States without relation to party affiliation.[25] In practice the machinery set up for his selection proved not only cumbersome, but defeated the secret party aims of these framers themselves. The Twelfth Amendment had to be adopted subsequently in 1804 in order to remedy the evils brought to the surface during the Jefferson-Burr contest, while since that time a host of other modifications have been effected in practice by extra-constitutional methods, which thoroughly nullify the intentions of the original framers.

Taking a leaf from the impossibility of amendment under the Articles of Confederation due to the requirement for unanimity, the States were willing to surrender their sovereignty to the point of a three-fourths ratification for a valid modification. Woodward points out the theoretical possibility of six million people in thirteen small states outweighing the desires of one hundred and sixteen million people in the other thirty-five states on the basis of the 1930 census.[26] He suggests the common-sense method of a general plebiscite, though he admits that the smaller states in 1787 would have rejected that proposal. The Southern states to-day regardless of size would reject a similar proposal, but for different reasons.

As long as the Negro is practically disfranchised in that section, no general plebiscite is possible on any matter, not even the common-sense manner of electing a President directly by popular vote instead of through the discredited and unfair method of the present Electoral College system. It is interesting to note that after the Roosevelt-Willkie election the usually astute Editor of the New York Times suggested the abolition of the anachronistic Electoral College where Roosevelt received 449 votes to 82 for Willkie, a discrepancy which did not at all reflect the 27,500,000 votes for the victor as against

[24] The Critical Period in American History—Fiske, p. 241.
[25] History of the People of the United States—McMaster, Vol. V, pp. 421-3.
[26] A New American History—Woodward, p. 234.

22,500,000 for the defeated candidate. The practical political dynamite locked up in this proposal will soon reconcile the editor to the further continuance of this essentially anti-democratic anachronism.

Common sense is not some universal historical solvent which can be applied at will. What appears to be so to-day in some eyes will be frowned upon by others. In the days of the Constitutional Convention general plebiscites were unknown. To-day it is unthinkable. That would be the surest lever for enfranchising the Negro, and the South is not yet ready for that "noble experiment." However, the increasing industrialization of that section of our country is slowly over-coming the acquired prejudices of over three hundred years.

Modern writers, like Woodward,[27] feel impelled to carry on a crusade of enlightenment concerning the motives of the Constitution framers. They feel let down when they compare the facts of American life with the well-meaning indoctrinations upon which they were nurtured from their school text-books. They are terribly wrought up over the fact that the motivating spirit of the Convention was a fear of democracy, and that its moving spirits aimed at the erection of careful safeguards to protect men of substance against the malice of the populace. A more judicious and philosophical outlook would lead them to the conclusion that they are applying a twentieth century ideology to the facts of eighteenth century life.

When that medley of aristocrats, wealthy merchants, slave-holders and their legal appanages who composed the Constitutional Convention spoke of "the people," they did not mean every Tom, Dick and Harry with his missus as we do to-day, but rather they used that phrase in juxtaposition to that theory of government which derived all authority from "the Crown" who in turn derived from God. The only people who mattered in those days were those of property, not in the broad meaning of the term, but in its restricted sense as applying to those who were well-born, or whose pockets were well filled, or whose social position entitled them to the paternalistic concern of government.

The definite property qualifications for voting were arbitrary and incidental, but the purpose of restricting the powers of government within the hands of a small aristocracy was the guiding principle of the dominant factors in the American society of those days. That was the basis for all those intricate clauses which balance wealth, territory and people in a maze of legislative, executive and judicial provisions.[28] The epigone still call it by the euphemistic term of "the balance of power." The verdict of American history during the one hundred and fifty years of its constitutional development has been to transform that pattern completely by both peaceable and forcible adaptation to the requirements of an expanding national life. The balance of power is distinguished in our history only by its instability.

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[27] A New American History—Woodward, pp. 232, 238.

[28] The Critical Period in American History—Fiske, p. 257.

POPULAR FEAR OF THE RESULTS ACHIEVED BY THE CONSTITUTIONAL CONVENTION

That the masses of the common people were suspicious of the Constitution, and even more so of the framers of that document, is proven by the nature of the objections which their spokesmen raised against it.[29] Ultimately they centered about that group of personal privileges which have come to be called collectively the Bill of Rights. But this was merely a concentration point for the opposition.

More fundamental was the intuitive recognition that it was a class document intended to cement the power of the rich and the "well-born." [30] The large landowners, the slaveholders, the speculators in the national domain and in government debts, the commercial interests and the banking fraternity all united in fervent support of the Constitution. Opposed to them were an uncoordinated group varying from the State-rights advocates like Patrick Henry and Lee, to the sturdy democracy of Samuel Adams who held out for the inclusion of the basic popular rights.

Adams' support in Massachusetts was finally won over by the promise that the Constitution would be amended as soon as the government under it was organized; and it is a fact that this promise of Washington, Hancock and others was carefully kept.[31] After a bitter struggle of almost a year the necessary ratifications by the requisite number of states was received. Two of the original thirteen states, North Carolina and Rhode Island ratified after the national government was established in accordance with its provisions.

HILDRETH'S NOBLE APOSTROPHE TO THE EXPIRING CONTINENTAL CONGRESS

With the momentous event of the inauguration of the Federal government, there passed out of existence the Continental Congress and its lineal descendant the Congress under the Articles of Confederation. Few there were who mourned its passing. That great organ of a revolutionary people had long outlived its day. With the remorseless verdict of history it had sunk into decrepitude and merited only general indifference.

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[29] History of the People of the United States—McMaster, Vol. I, pp. 461-492.

[30] Ibid., Vol. I, p. 482.

[31] The Critical Period in American History—Fiske, pp. 329-331.

Some writers speak of the Confederation phase of our history as a reaction from the high revolutionary fervor of the days which preceded it. A great deal depends upon what one considers as revolutionary. For its time, and its purpose, the Constitution of the Philadelphia Convention was as revolutionary in its historical significance as was the Declaration of Independence with which the Continental Congress ushered in the new spirit in human affairs.

Among the great American historians Hildreth stands out in his noble apostrophe to the Continental Congress which was to write finis to its story upon the inauguration of the new government. "History," he writes, "knows few bodies so remarkable. The Long Parliament of Charles I, the French National Assembly, are alone to be compared with it. Coming together, in the first instance, a mere collection of consulting delegates, the Continental Congress had boldly seized the reins of power, assumed the leadership of the insurgent states, issued bills of credit, raised armies, declared independence, negotiated foreign treaties, carried the nation through an eight years' war; finally, had extorted from the proud and powerful mother country an acknowledgment of the sovereign authority so daringly assumed and so indomitably maintained. . . . Feeble is the sentiment of political gratitude! Debts of that sort are commonly left for posterity to pay. While all eyes were turned—some with doubt and some with apprehension, but the greater part with hope and confidence—toward the ample authority vested in the new government now about to be organized, not one respectful word seems to have been uttered, not a single reverential regret to have been dropped over the fallen greatness of the exhausted and expiring Continental Congress." [32]

During the fifteen years of its existence, fourteen men occupied the office of president of Congress, and therefore became the foremost American civil authority by virtue of that rank.[33] But in the early days of its existence, the mass fervor obliterated any distinction among the members of the Congress, while toward its decline, few cared for its membership and none respected its formal head. It was in essence a revolutionary committee, and its influence diminished in step with the liquidation of the revolutionary situation.

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[32] History of the United States—Hildreth, Vol. III, pp. 547-8.

[33] The Critical Period in American History—Fiske, pp. 96, 360.

CHAPTER IX

Launching of the Federal Government

GENERAL FEATURES OF THE PERIOD OF EXPANSION

UPON Washington's inauguration, the new nation was fairly launched upon a period of seventy years of continuous development interspersed with occasional declines due to the too rapid nature of its growth. It may properly be called the period of territorial expansion and national consolidation. An epoch we defined as the civilization of a given time which is centered around some fundamental principle involving the means of production about which the social structure is created. A period is therefore a segment of an epoch which is centered about some special problems arising from a historical situation which is characteristic of a certain time. These problems where insoluble came to a head in the catastrophe of the Civil War, while their resolution laid the groundwork for the next period of American history.

The Period of Expansion passed through three phases. The turning point of the first was the War of 1812 which unloosed the floodgates of Young American national self-consciousness. The second phase terminated with the Mexican War which rounded out the boundaries of continental United States. From then on to the end of the Civil War those fundamental social and political adjustments were effected which launched this country headlong on its career to that remarkable Period of Industrialization and world power characteristic of the present day.

It might be objected that too much stress is placed on the fact of wars which dot this period. No undue importance is attached to the wars themselves. Historically our major wars have always occurred at a critical point of our history. In the analysis of the Period of Expansion the first two are convenient sign-posts to indicate the road. The division of this period into three phases is purely a matter of convenience in exposition. All phases are inter-locking and interpenetrating. The slavery question surely did not await the outcome of the Mexican War for its ultimate solution, though it must be admitted that the stage was cleared for its solo role after 1850.

During the entire period the organization of the American social structure was of a nature to further the growth of democratic processes in politics, economics and public education. In the continuous cycle of historical processes all beginnings and endings are arbitrary, but convenient for the purposes of analysis.

THE TARIFF AS A WEAPON FOR ECONOMIC INDEPENDENCE

McMaster reports that all true patriots heard with joy that on the auspicious day when Washington took the oath of office he was clad from head to foot in garments whose material was the product of American labor.[1] Thus was garnered the first fruit of American sovereignty, the desire of the people to free themselves from economic dependence, as they had already won political independence, of the Old World.[2]

England's monopoly of the carrying trade was intended to reduce the United States to a position of economic subserviency, and the fierce anger of the people lent impetus to the passage of the first protective tariff in 1789. The reaction of modern savants on the tariff question would be truly comical were it not so depressing in view of its importance to the nation. Learned as they all are in the economic doctrines of Adam Smith imbibed during their college days, from professors who in turn had not budged an inch from those preachments of free trade to a world in which England was destined by God and nature to provide with manufactures, these writers look remorsefully upon America's first relapse into economic sin.[3]

Lippincott ruefully shakes his head and mutters if only the members of the first Congress who had also been delegates to the Constitutional Convention would break their vows of secrecy sufficiently to tell us whether or not a protective tariff was within the powers of the legislative body.[4]

When in the western counties of Virginia—now West Virginia—rich pockets of coal were discovered, that State's representatives did not hesitate to demand, and obtain, a duty imposed on imported coal in order to protect its infant industry.[5] If those tyros in economics had studied Smith instead of referring to him in awe-stricken tones, they would have discovered that the great exponent of laissez-faire time and again justifies the intervention of government whenever that was clearly to the advantage of England's economy.[6]

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[1] History of the People of the United States—McMaster, Vol. I, p. 537.

[2] Economic Development of the United States—Lippincott, pp. 121, 128, 209.

[3] Financial History of the United States—Dewey. This is characteristic of his entire theoretical position.

[4] Economic History of the United States—Lippincott, pp. 137-8.

[5] History of the United States—Hildreth, Vol. IV, p. 76.

As early as 1786 societies were organized for the promotion of American manufacture and some States even advanced money and extended bounties in order to foster its growth.[7] The tariff as an instrument for aiding the hot-house growth of American industry did not come into general use until 1816 after Clay had launched his memorable campaign for what he called the American System.[8] Before that time duties were imposed chiefly with an eye to revenue; but the really important point of the matter is that the United States was free to direct its policy unhampered by outside interference. That was one of the inestimable boons of untrammelled independence.

ESTABLISHING THE NATION'S CREDIT BY THE ASSUMPTION LAW

Hardly had the new government been installed when a movement was on foot to refund the national debt. Hamilton's argument on the general principles of public credit are unimpeachable.[9] With his motives the general historian is not concerned though they caused quite a stir in his own time. Hildreth, staunch Federalist that he was, supplies us with equally unimpeachable evidence of the shameful profiteering in which the upper classes indulged for their own enrichment at public expense.

Madison adopted a truly statesmanlike course. Upon the principles of public policy as enunciated in Hamilton's report, he was in thorough agreement. But to whom, he inquired were these payments to be made? To the hardy veteran who had sold his claim for a minute fraction of the amount due him, or to the tricky speculator who besieged the capital with pockets jammed with securities bought up for a trifle by his agents whom he sent scouring the countryside for their collection? [10]

The ultimate result was the passage of the funding system by which the Federal Government assumed responsibility for the outstanding obligations contracted by the Continental Congress and the Confederation amounting to $42,500,000 in domestic claims and $11,700,000 in foreign debts.[11] At the same time, the debts incurred by the states in the Revolutionary War were assumed to a total of $21,500,000, though ultimately only $18,300,000 were allowed as valid under the provisions of the act.[12] The refunding operation was to consist in the sale of new Federal bonds at four per cent interest, while provision was to be made by Congress to raise sufficient revenue over and above the ordinary expenses of government to meet the service of this debt.[13]

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[6] Wealth of Nations—Smith, pp. 425, 608, 610-12.

[7] History of the People of the United States—McMaster, Vol. I, pp. 295, 313, 342, 536-7; Vol. II, pp. 492-5.

[8] Economic History of the United States—Lippincott, pp. 227-9.

[9] Hamilton's First Report on Public Credit—McDonald's Documents, p. 235.

[10] History of the United States—Hildreth, Vol. IV, p. 164.

Hamilton's fervent support of this proposal brought forth from his opponents the stinging jibe that the assumption advocates believed in the doctrine that a public debt was a public blessing. While the shaft must have gone home judging by the pains taken to answer it, the fact still remains that for the young country this was indeed the ultimate result not only from the abstract standpoint of national policy, but from the immediate consequences which followed.

It is true that thirty more years had to elapse before the claims of the old Revolutionary soldiers were recognized, not so much upon the gratitude as to the justice of their country, by adequate provision being made for their pensions.[14] But the monetary claims they had sold to speculators for fifteen to twenty cents on the dollar were now worth their face value.

CAPITAL FUNDS CREATED BY FEDERAL ASSUMPTION OF STATE FUNDS

By the process of a federal law seventy-five million dollars of valid bonds were created, transferable from hand to hand with the readiness of the best of metal currency, and worth as much. There was no legerdemain in this sudden transubstantiation of worthless paper into valuable negotiable securities. Governments cannot create such wealth by mere fiat. What did happen was this: A Federal government now existed with ample power to obtain revenue by taxation. This power the Confederation never possessed. In a thriving nation composed of an industrious population there was little difficulty in raising the necessary amounts to meet the fixed annual charges, including amortization of the principal. Thus by a stroke of the pen an enormous capital sum was created.

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[11] History of the People of the United States—McMaster, Vol. I, p. 568.

[12] Financial History of the United States—Dewey, p. 93.

[13] First Report on Public Credit by Hamilton—McDonald's Documents, p. 242.

[14] History of the United States—Hildreth, Vol. VI, p. 638.

Classical writers who imbibe their knowledge of economics from Franklin's maxims on individual thrift cannot appreciate the historic significance of creating capital by capitalizing a fixed annual revenue. At four per cent, four million dollars annually had a present worth at that current market rate of one hundred million dollars. Nothing is more certain than the collection of taxes by a stable government, though a specific tax may fail to yield the expected revenue. The economic history of the United States will show that vast amounts of valid private capital are merely the capitalized present value of expected annual returns.

All capital is not savings through accumulation by individuals or corporations. A tremendous part of it is merely the capitalized expectation of future returns. A government does not create wealth by issuing its certificates of indebtedness, though no one questions the fact that the holder of such United States certificates is the possessor of wealth. What makes these bonds valuable is that behind them is the pledge of the faith and credit of the Republic which it makes good by taking through taxation a part of the people's annual income for the purpose of punctiliously meeting its obligations. It is truly astonishing to note how little contemporary writers appreciate the significance of this tremendous step in our history. For the most part they have not advanced from the theoretical position taken a hundred and fifty years ago by Hamilton and Jefferson respectively on this refunding operation.

CLASSICAL WRITERS ON THE REFUNDING ACT

McMaster contents himself with the usual milk-and-water narration of selected facts without ever attempting to pierce through the mountain of details for the controlling laws underneath. He goes into a labored analogy with the public debts of Venice, Florence, Genoa, Spain, Holland and England. He tells us that the public debt at which anti-Federalists cavilled was easily repaid, and that the Civil War saddled upon the country a public debt thirty-seven times as great which the country has since borne with ease.[15]

Refunding, he avers with startling originality, established the credit stability of the young Republic and he reverts to the thesis that in this case the national debt was a national blessing. Beard, always the valiant knight in shining armor to draw attention to wrongs even if he knows not how they originated nor how to redress them, refurbishes exactly the same profiteering arguments that were used a century and a half ago,[16] while he lends to the whole a typical muckracker's touch by ironically balancing the political virtues of Northern speculators as against Southern slave-holders,[17] with a round plague upon both.

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[15] History of the People of the United States—McMaster, Vol. I, pp. 572-4.

All that Woodward can do is to expose once more the ancient chicanery by which Hamilton succeeded in log-rolling his project through Congress by an agreement that if the Southerners would vote for assumption the Northerners would consent to have the permanent capital located on the banks of the Potomac.[18] James Truslow Adams fingers the matter with aristocratic disdain as another squabble of the go-getters for the mere dross of wealth, and indulges in the superior reflection that "the America of to-day, with its prohibitive tariffs, its special privileges, with its constant demand for more and more gifts and interference from 'government,' has developed from the Hamiltonian formulae."[19] Farrand contents himself with paying tribute to Hamilton's genius,[20] without bothering to analyze that the effects of that policy were far beyond his intentions as officially expressed[21] and privately entertained.[22]

HISTORIC CONSEQUENCES OF HAMILTON'S CREDIT SCHEMES

To Hildreth belongs the honor of having clearly perceived the real significance of the refunding act with the penetrating vision of the true historian. It was not for him to gloss over the chicanery which surrounded that measure.[23] Nor did he accept at face value the apologetics of Hamilton and the Federalists to which party he was sincerely attached. To him the funding of the debt meant the creation of a vast reservoir of capital overnight instead of waiting for the slow processes of capitalist accumulation to gather together a hoard of seventy-five million dollars. "By furnishing a capital almost or quite as available as cash," he wrote, "of which enterprise knew how to take advantage, and by the new and powerful impulse thus given to industry, it went far toward relieving that private pecuniary embarrassment which had constituted one of the greatest evils of the times. The newly funded stocks had all the advantages of the old paper money issues, without any of their dangers, and with the additional advantage of having a value abroad as well as at home—the sale of stocks abroad, urged as one of the greatest objections to the funding system, being in fact one of its chief recommendations—the holders being thus enabled to convert these paper obligations into actual cash." [24] This was the historic mission of Hamilton's assumption schemes. Scientific historians can well afford to overlook his motives to consider the beneficent consequences of that measure.

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[16] The Rise of American Civilization—Beard, Vol. I, pp. 346-8.

[17] Ibid., p. 355.

[18] A New American History—Woodward, p. 259.

[19] The March of Democracy—Adams, Vol. I, p. 172.

[20] Development of the United States—Farrand, p. 78.

[21] First Report on Public Credit by Hamilton—McDonald Documents, pp. 235-6.

[22] The Life and Times of Alexander Hamilton—Schmuckler, pp. 222-3.

[23] History of the United States—Hildreth, Vol. IV, pp. 158-161.

Irving paints a most moving picture of Washington's journey from Mount Vernon to New York to assume the Presidency of the United States.[25] But Woodward tells us that Washington, probably the richest man of his time as far as real and personal property was concerned, had to borrow the cash with which to pay the expenses of that memorable trip.[26] Cash was indeed a rarity. That seventy-five million dollars of new wealth was not created out of thin air. The labor and sweat of the American people for two generations was pledged for it.

It is true that the capital amount went into the pockets of private speculators, but they had to put those funds to use in commerce, industry and banking, thereby giving a tremendous impetus to the industrial development of the young nation. Here is the first lesson of the nature of capital accumulation and the much-vaunted private initiative. This initiative directly consisted of palming off a political gold brick upon the nation for the benefit of private interests. Without their knowledge or intention, the social forces created by expanding capitalism which came into being at that time, seized upon this hoard and used it as the base for further and greater accumulation.

Of this Davis Rich Dewey who wrote an authoritative study on the financial history of the United States, had not the slightest conception.[27] Marx, who suffers the penalty of all geniuses by being sometimes referred to, often criticised but seldom read, gave the final form to the historical role of the early national debt in the upbuilding of a capitalist economy where the other conditions requisite for its development were already present. "The public debt," wrote Marx, "becomes one of the most powerful levers of primitive accumulations. As with the stroke of an enchanter's wand, it endows barren money with the power of breeding and thus turns it into capital, without the necessity of exposing itself to the troubles and risks inseparable from its employment in industry or even in usury. . . . The national debt has given rise to joint stock companies, to dealings in negotiable effects of all kinds, and to agiotage, in a word to stock-exchange gambling and the modern bankocracy."[28] That exactly was the result with the funding of the American debt.

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[24] History of the United States—Hildreth, Vol. IV, pp. 275-6.

[25] Life of Washington—Irving, Vol. IV, pp. 108-113.

[26] A New American History—Woodward, p. 253.

[27] Financial History of the United States—Dewey, pp. 92-6, 112-117.

ROLE OF THE AMERICAN BANKOCRACY IN THE FIRST UNITED STATES BANK

America's bankocracy was on the march. James Truslow Adams blames it all on the half dozen or so of men who co-operated with Hamilton "to mould not only the nation of his own day but that of our own."[29] One is at a loss to think what would have happened to our country if these half dozen had not existed. But destiny was kind to us. All the past history of the colonial period means nothing to these worshippers of the Great Man theory.

If Hamilton had not lived, they reason, there might not have been the First United States Bank. But it is a fact that the most virile element of American society at that time were the commercial and manufacturing interests of the North. In the final tally on the issuance of the bank's charter, which passed by a vote of 39 to 20 only one negative was cast by a representative of a state north of Maryland and only three affirmative votes for the measure were contributed by the representatives from the Southern states.[30]

What was the function of this Bank which so engrossed the support of one section of the country, while conversely, it encountered the almost unanimous opposition of the other? From the very birth of the Republic this cleavage between the Southern landed aristocracy and the Northern industrial capitalist class was brought sharply into evidence. The South economically was still a colony of England, remaining as chronic debtors to English merchants. The North was beginning to feel the growing pangs of its future industrial greatness.

They needed first, banking accommodations in the form of credit while their capital was undergoing the metamorphosis from its productive stage through circulation to the final money stage by the realization of the price of its commodities or services. Second, they required a safe deposit at interest for the temporarily accumulated hoards, or fallow capital awaiting its call in the industrial or commercial process by other entrepreneurs. Third, the bank would issue its own notes, which if well-supported, would constitute a much-needed addition to the chronic deficiency of the circulating medium. Fourth, the bank would function as a paying agency on behalf of its depositors. Fifth, by the same token it could serve as the convenient and economical collecting agency on drafts submitted to it. Sixth, by facilitating the transfer of moneys due, it would in effect serve as a clearing house, where debits and credits would cancel each other out, leaving only the balance to be settled in cash transfers, thereby greatly reducing the amount of currency required to handle a much greater volume of business.[31] Seventh, the bank would function as a reservoir for the collection and accumulation of capital resources to be employed by letting out of loans at the discretion of men versed in the economic requirements of the times. Eighth, the bank would function in the clearance of international exchange thus freeing this country from financial dependence upon European manipulators. Lastly, the bank would serve as the fiscal agent of the national government, assisting it in collection of taxes, and extending temporary credits as the exigencies of a particular moment might demand at terms most favorable to the government.[32]

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[28] Capital—Marx, Vol. I, p. 827.
[29] The March of Democracy—Adams, Vol. I, p. 169.
[30] Financial History of the United States—Dewey, p. 100.

PLACE OF HAMILTON IN OUR HISTORY

All these factors commend themselves with irresistible logic to the scientific historian concerned with the processes of economic and social development. To the classical historian molded along the formal lines of his calling, Hamilton was crafty and unscrupulous, with a fixed determination to fasten the control of the wealthy over the resources of this country.[33] The scientific historian cares nothing for the nature or place of Hamilton's birth or his personal peccadillos, but he is very much concerned about the policies he advocated and the significance which they had for the future progress of the country. From this standpoint alone—the only criterion by which to measure historically significant personalities—Hamilton ranks among the titans of our history.

Social forces are not self-acting; they require adequate human material who give them body, expression and direction. If the first Secretary of the Treasury occupies so high a rank among the capitalist apologists of our time, it is because for his day he was their best-endowed and most persuasive champion, and it was he who gave such powerful assistance in launching that class upon its long and fruitful career until the debacle of 1929.

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[31] The Economic Foundations of Business—Spahr and others, Vol. I, pp. 577-8.

[32] Economic Development of the United States—Lippincott, pp. 138-9.

[33] A New American History—Woodward, pp. 264-5.

FACTORS FAVORABLE TOWARD THE ECONOMIC DEVELOPMENT OF THE UNITED STATES

Many factors combined to favor the industrial development of the United States. First and foremost was the nature of its social institutions which encouraged free enterprise and individual initiative. Second, the unparalleled natural resources on land and stream and within the bowels of the earth provided it with the physical means for the production of wealth. Third, the industrial revolution which had set in forty years before in Europe, particularly England, had spanned the ocean and allowed the new-found nation to adopt its processes to its own requirements. And, lastly, the Revolution itself, by cutting off the normal supply of manufactured products from abroad, stimulated an immense demand for domestic products of the same character which could not long be denied.

A tremendous impetus was thus given to American industry, with the result that thriving manufactures were established in this producers' market. Soon the bulk of military equipment, even heavy guns, were being turned out by our own workshops.[34]

Self-interest and enlightened leadership had already gone a great way toward the creation of a virile national economy. The intermittent turmoil in which Europe was involved during the twenty-five years between the outbreak of the French Revolution and the downfall of Napoleon, put the United States on its mettle to provide not only for itself but to benefit from the distractions of a disordered world both as a producer and as a carrier of merchandise. Meanwhile an enormously rich clipper trade had come into existence with India and China, while the rich fur territory of the Northwest was opened up by the daring and foresight of Eastern traders and their agents.[35]

Myers gives concrete illustrations of this powerful class of merchant princes which owed their wealth to this new and thriving trade. John Jacob Astor's ships would carry a cargo of furs to Canton where it was disposed of at a great profit due to the high esteem in which wealthy Chinese held fur as an ornamental garment. On the return voyage his ships would bring in tea which again sold at enormous profits in the American market.

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[34] History of the United States—Channing, Vol. III, pp. 390-2.

[35] History of the United States—Hildreth, Vol. IV, pp. 276-7.

Besides that, the government would allow a year and a half for the payment of the necessary duties, though the cargo was generally sold for cash; and Astor's friendly biographer from whom Myers quotes, calculates that he thereby had the free use of government money during a period of twenty years amounting to over five million dollars.[36] This favoritism to American merchants was not an isolated example. It was the considered policy of the government well launched in the hands of the capitalist class to use the powers of state for the upbuilding and the protection of their commercial interests. One merchant house that failed actually owed the government three millions in accumulated duties.

Another device was to establish a differential on port duties in favor of American shipping. Vessels built and owned in the United States paid six cents a ton; American-built vessels not under our flag paid thirty cents; while all others paid fifty cents.[37] In furtherance of this policy the United States extended every possible diplomatic support to its merchants and to the exporters of American goods. Favored nation and reciprocal treaties were entered into in support of our commerce. So, for example, the Jay treaty with Great Britain signed in 1794 stipulated, among other things, that no discrimination shall be shown to each other's vessels in the carrying on of their legitimate enterprise.[38]

In defense of the rights of our shipping we engaged in a brief but undeclared war against France.[39] For their protection we even descended to the payment of tribute to the Barbary States,[40] but this humiliating experience was shared by Sweden, Denmark and Holland. Even England condescended to give annual presents in exchange for immunity from Barbary coast depredations. This situation gave rise to one of the more pleasing episodes in our history which consisted in the determination to resist further exactions by sending a fleet for the reduction of Tripoli. This was successfully accomplished, and gave opportunity for the emergence of one of the most exotic figures in the history of adventure in the person of an American, Eaton, who organized an army of North African nondescripts to conduct a military campaign against the ruler of Tripoli.[41]

[36] History of the Great American Fortunes—Myers, pp. 72-3.
[37] History of the People of the United States—McMaster, Vol. I, p. 552.
[38] Jay Treaty, Article XIII—McDonald's Documents, p. 251.
[39] History of the United States—Hildreth, Vol. IV, pp. 702-3.
[40] History of the United States—Hildreth, Vol. IV, p. 457; also Vol. V, pp. 561-2.
[41] History of the United States—Hildreth, Vol. V, pp. 558-63.

SELF-CONSCIOUS STIRRING OF THE MASSES

Paralleling this coalescence of virile social forces in support of the government now firmly controlled by the rising capitalist class, another social force was slowly emerging to take its place on the stage of history. This was The People.

We have referred before to this amorphous historic element; for such indeed it was. They had as yet no coherence, no definiteness, no philosophy, no social program of their own. We met with them before during the stirring ten years which preceded the Revolution. In the struggle itself they were the soldiers of the ranks under the leadership of their social superiors. Class distinction within the Revolutionary army was rampant.[42] After the war was over they were discharged, with depreciated currency in their pockets and promises of more substantial evidence of a nation's gratitude which was to await confirmation thirty-five years after the struggle had been so gloriously ended by their sacrifices and their devotion.[43]

During the Confederation the people had ceased to be a force in the government. Wilson [44] estimates that of the four million population in 1790 only about one hundred and twenty thousand qualified as voters.[45] This was due not only to the property qualifications which were attached to the exercise of that right, but to the conditions of life prevailing at that time which made the exercise of that privilege an unnecessary appanage to their mode of existence.

Life for the overwhelming mass of our people was simple and self-contained. The most important thing they wanted was to be left alone to work out for themselves the simple destinies of their existence. It is one thing to contend that the most virile element in American society during the last quarter of the eighteenth century was the rising capitalist class; it is a far different matter to infer from that proposition that the masses of the people were the convenient tools of conniving and selfish interests who were using them for the effectuation of their program. The fact is that neither class had a program except in the most general sense.

The rule of the people in those days did not carry with it the significance we now attach to that phrase. Powers of state were to remain within the social classes which had long been accustomed to exercise them in the American colonies. The Revolution for all its grandiloquent phraseology simply established the principle that henceforth the state was to be the responsible organ of the American people and not of the British Crown. But that did not mean that overnight the hoi-polloi were to assume the powers of state. The social basis of a popular democracy had not yet come into existence.

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[42] Life of Washington—Irving, Vol. III, pp. 232-5.

[43] The Rise of American Civilization—Beard, Vol. I, p. 274.

[44] History of the American People—Woodrow Wilson, Vol. III, pp. 120-1.

[45] History of the United States—Hildreth, Vol. III, pp. 147-193.

A. COMPOSITION OF AMERICAN SOCIETY AT WASHINGTON'S INAUGURATION

THE UNITED STATES OVERWHELMINGLY AGRICULTURAL

What was the social basis of American society when Washington was inaugurated as the first President? "Agriculture in 1790," wrote Lippincott, "probably occupied the attention of more than 95 per cent of the population; at any rate 3.3 per cent of the people lived in places numbering 8,000 or more. Considering the country as a whole, the little communities were largely self-sufficing, sustaining themselves by farming and by household industries; they produced almost everything they needed; there was very little surplus, and as a result very little inland commerce." [46]

It is absurd historically but a very human failing to employ the concepts of twentieth century society in the analysis of that period of our history. Of course, every historian is on guard against such an anachronism. The unfortunate part of the matter is that they resort to that method unconsciously, since they do not possess a scientifically valid criterion which would automatically check such a mental process. The Historical Field Theory by establishing the principle that all social phenomena must be studied in the terms of the social forces distinctive of an epoch and of a definite period of that epoch precludes any possibility of applying a generalization true of one period as applying to all periods of our history.

An excellent illustration of this unconscious throw-back of a generalization which while proper for one period is invalid for another is observed in the following point advanced by Lewis. "The dominant interests in the revolutionary party in America were those from which spring the present capitalist class—smuggling merchants, manufacturers, land speculators, etc. But these had already learned how to draw to themselves and use in their interests the great mass of the laboring and small business classes." [47] Lewis would have had the greatest difficulty in establishing the historical reality of his great mass of the laboring and small business classes. These simply did not exist in the numbers which he must conjure up in order to make them a substantial social force.

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[46] Economic Development of the United States—Lippincott, p. 148.

[47] Social Forces in American History—Arthur Morrow Lewis, p. 71.

Actually, the radicals who engineered the Revolution were a polyglot combination of adventurous spirits from every social rank. A great and vital distinction must be made between those who carry on a revolution and the social class which ultimately benefits from its achievements. It would be pleasing to our logical souls to prove by rigid mathematical demonstration that the French Revolution was carried through by the conscious resolve of the French serfs, and the Russian Revolution by that of its workers and peasants. It is true that these classes fought for it and achieved its final victory, but the fact remains that the French bourgeoisie was the ultimate recipient of its fruits, while the final results of the Russian episode are still very much in doubt, depending upon who will succeed Stalin, and how he will rise to power.

When Lewis writes of a class of smuggling merchants, manufacturers and speculators who used the masses for their purposes, he is laboring under the logical necessity of erecting an historical mechanism whose operation commends itself to our preconceived notions of action and reaction. Those social categories were the beneficiaries but not the scheming manipulators of the American Revolution. In fact, when the critical hour arrived, most members of that class were found among the ranks of the Tories, and the revolutionists took joy in ultimately expelling one hundred thousand of them, and taking their property besides.[48] The matter of compensation for their confiscated property long remained a sore point which militated against the regularization of Anglo-American relations after the peace, and it required special provisions in the Jay Treaty [49] to settle the demands of these merchants, manufacturers and speculators,[50] who constituted, in Lewis' logical dilemma, the secret and effective mainspring of the Revolution's propulsive force in history.

STILL PRIMITIVE CONDITIONS OF AMERICAN LIFE

American society at the turn of the eighteenth century was in a rather primitive state. Even in New England, which according to

[48] The Rise of American Civilization—Beard, Vol. I, p. 291.

[49] Jay Treaty, Articles VI and VII—McDonald's Documents, pp. 248-50.

[50] History of the People of the United States—McMaster, Vol. I, p. 244.

Henry Adams, was the most progressive and well-settled section of the Republic the ordinary farmhouse did not compare with those in existence a thousand years before in the times of Charlemagne.[51] McMaster gives a factual description of life for the generality of the people of the time which fully supports the conclusion of a recent government publication that for the most of them the techniques of three thousand years ago were still in common employment in agricultural America at the closing decade of the eighteenth century.[52]

In view of the foregoing, it is a trifle absurd for modern historians to draw a picture of social classes which did not exist, and to analyze social forces which could not possibly be created because of the lack of a social basis for their development.

When Woodward places in juxtaposition those two great antagonists, Jefferson and Hamilton, the one the champion of democracy, the other the spokesman of the capitalist and mercantile class,[53] he writes not as a historian who faithfully describes the social factors of the time, but as a dramatist who desires to create the desired effect by interpreting that period in the values of the present. It would probably be most illogical, in his eyes, for a modern writer to be a Federalist in his interpretation of the early 1800's and a revolutionist of the present time. In the interpretation of history it is not a question of abstract right or wrong by the application of subjective absolute values, but rather the weighing of the social factors as they existed in each period and considering their contribution in the making of the America of our time.

From this standpoint the Federalists were the most constructive social element of their time, while the budding democracy was sowing the seed for the ideologies of the social class of manual and white-collar workers, and the industrial and agricultural proletariat which historically had not yet come into existence, but of whom they were the spiritual forerunners.

When the official Communist historian, Bimba, writes of the American ruling class with the popular sinews on their side defeating England in open struggle and then effectively separating the working masses from the state power,[54] he writes of a non-existent historical situation of the eighteenth century in terms of an existing situation of the twentieth century. In this he violates the cardinal Marxian principle that each historical period must be gauged upon the material bases and the ideological reflexes which are distinctive for its time.

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[51] History of the United States—Adams, Vol. I, p. 17.

[52] Technological Trends and National Policy—U. S. Publication (1937), p. 97.

[53] A New American History—Woodward, p. 267.

[54] History of the American Working Class—Bimba (1936 ed.), p. 61.

CLASS REACTIONS OF AMERICAN SOCIETY TO THE FRENCH REVOLUTION

While the proletariat did not come into existence until modern industry became the dominant factor in commodity production, their spiritual progenitors were the common people of our early Republic. Abundant proof of this is observed in the veritable delirium of joy which seized the American people over the revolutionary developments in France during 1793 when the French Republic was established. McMaster, who is a careful reporter, though anti-popular in sympathies, describes those times as follows: "Both men and women seemed for the time to have put away their wits, and gone mad with republicanism. Their dress, their speech, their daily conduct were all regulated on strict Republican principles. There must be a flaming liberty-cap in every house. There must be a cockade in every hat. There must be no more use of the old titles Sir and Mr., Dr. and Rev. It is time, exclaimed one of these ardent Republicans, it is time the use of these diabolical terms ceased. They are but imitations of the tottering remains of aristocracy." [55]

Everywhere civic feasts were arranged by the simple and low-born in honor of the great events transpiring in France. The masses were in favor of extending American aid to the beleaguered European republic, and Washington brought down upon himself considerable popular abuse for his failure to intervene actively in its support. No reasonable judgment then, nor any considered judgment now, could question the correctness of that great man's far-sighted statesmanship.

As for the ruling classes in America their instinctive reaction was against the success of the French Revolution, and in favor of assisting in England's crusade for civilization, humanity and Bourbonism. Oh yes, they were for the revolution and all that, but her cause had been defiled by the shedding of blood—noble blood—and rivers of plebeian blood had to flow to partially expiate for that crime; though its offense could never be redeemed. Those were their high-sounding phrases, but in their hearts was the common bond which ties together the ruling classes of all the world in mutual fear against the day of popular reckoning.

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[55] History of the People of the United States—McMaster, Vol. II, p. 93.

The French Republic at that time had the misfortune to be represented here by one of extraordinary tactlessness amounting to gross insult to the honor and dignity of our country. Washington's coolness under great provocation proved that in his statesmanship there existed the same deliberate judgment which he exercised in times of great peril during the lowest ebb of our Revolutionary fortunes. Genet, the French representative, stung by criticism of his unseemly conduct as voiced in the press, had the consummate effrontery to address a letter to Washington demanding the President's explicit disavowal that his actions had violated the bounds of diplomatic decorum. Jefferson, as Secretary of State, replied that the President of the United States was not answerable to the demands of a diplomat of a foreign country.

American pride was sensibly affected by this affront to their dignity and Genet's recall was foreshadowed by the fervor with which even the most outspoken champion of France came to the support of President Washington who incarnated for them the noblest attributes of American sovereignty. Democracy was a word but sovereignty was a fact, and that was not to be violated with impunity. The spirit of a healthy American nationalism was beginning to manifest itself for the first time as a positive factor in our political life.

B. Role of the Western Territories in the Unfolding of Democracy

ENORMOUS NATURAL INCREASE OF POPULATION

In the lexicon of the elements which contributed toward the democratization of the American Republic none is more important than the provision for the admission of new states into the Union on the basis of equality with the original thirteen. In the Ordinance of 1787 during the regime of the Confederation provision was made that any territory which attained a population of 60,000 free inhabitants was authorized to organize itself into a State "on an equal footing with the original states in all respects whatever." [56]

Upon the acquisition of the western lands population poured in from the seaboard states, following generally a parallel direction, those from New England and the Middle States settling north of the Ohio, and those from Virginia south, settling in contiguous territory.

[56] Ordinance of 1787, Article V—McDonald's Documents, p. 216.

It was not long before those newly-opened lands began to clamor for admission under the general provision of the Federal Constitution.[57] This introduces a new factor of far-reaching significance in American life. The representatives of the old, well-established States with their settled manners and aristocratic ways which became the more decided the further one went down from the Potomac, were soon to meet on equal terms in the chambers of government the sons of a country which was too virile to develop castes, and too new to be subject to the mellowing influence of tradition.

Land was cheap, and the land was good. These magic symbols exercised an irresistible attraction for the crowded population of the older agricultural communities. From 1790 to 1830 the white American stock of the population increased from three million to ten million. Immigration was insignificant.[58] This tremendous natural increase took place on the farms of the country. The land-hungry offspring found an outlet by migration to the west, where for two dollars or less per acre, with one dollar down, a farm could be staked, a house built, the yard fenced and stocked with a cow, calf, pigs, chickens and a horse, all for around one hundred and fifty dollars.

To this virgin soil flocked an inexhaustible army of poor but hardy and self-reliant settlers. Their manners were rough, and gauged by modern standard their mode of living was indescribably low.[59] "One thing which the frontier bred above all else was democracy," wrote James Truslow Adams. "In the self-confident, equalitarian life of these dwellers in log cabins there was at once an insistence upon the worth of the individual, and a distrust of those who were different. Wealth, social position, even education came to be both disliked and feared." [60] As an illustration of the robustious manners of the time, Sargent narrates the details of an encounter between future President Jackson and the future Senator Benton where they fought with fists, knives and guns until Jackson had to feign death in order to avoid being killed.[61]

This was not thought a deterrent for future political ambitions as the careers of both principals amply demonstrated. Henry Clay's reputation as a duellist considerably enhanced his political fortunes among the settlers of Kentucky who admired him as much for his physical courage, as official Washington later did for his statesmanlike qualities when he entered upon his remarkable career at the seat of government.[62]

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[57] Article IV, Sec. 3. MacDonald—Documentary Source Book of American History.

[58] We Who Built America—Wittke (1939), p. 101.

[59] The March of Democracy—Adams, J. T., Vol. I, p. 209.

[60] Ibid., p. 210.

[61] Public Men and Events—Sargent, Vol. I, p. 225.

On this practically free and verdant soil, out of this uncouth and unlettered people, a New America was to be born, a new national spirit was to be felt, and in 1812 when the fortunes of the Republic were temporarily on the decline, a new leader was to arise from their ranks in the form of the matchless Henry Clay, who was to shape, more than any other man for the next forty years of our national destiny, the formidable content of a new American spirit.

WOODWARD'S THEORIES ON THE NATIONAL DOMAIN

Typical of the lackadaisical historian to whom nothing is impossible so long as it appears "reasonable" is Woodward who in 1936 soliloquized upon whether or not it would have been better to have held the entire Western region as a public property forever with land rented out by the government, and towns and cities to be built by the nation as they were needed. "From an economic point of view there were no insuperable obstacles," he writes. "Most farmers are living now on land owned by somebody else. Millions of them are tenants, paying rent or shares in whatever they produce, and in most instances the rents are so oppressive that the farmer is a prize modern example of a hard-working pauper." [63]

This suggestion does more justice to Woodward's humanity in view of the existing deplorable situation of agriculture, than it does to his powers of analysis as a historian. He admits that any such suggestion at the Federal Convention would have been greeted as rank insanity. He also admits the strongly individualistic ideology of the American people. In view of these two concessions his proposal instead of being economically or socially feasible is the veriest Utopian moonshine.

Economics is not some vague abstraction of a speculative thinker who somehow is absolved from relating his theory to practice. No theory, no political plan is worth the breath with which it is uttered, or the paper it is written on unless it is in agreement with the reigning political institutions and dominant ideologies of the period to which it relates. The most ridiculous utterance of a man who has some regard for his intellectual reputation is the phrase that it is a fine theory but it won't work. It is altogether incomprehensible

[62] The Jacksonian Epoch—Peck, pp. 30-2.

[63] A New American History—Woodward, p. 251.

how an admittedly impractical theory can commend itself to the approval of the judgment.

Woodward's idea of making the national government a glorified landlord is impractical even to-day and absurd when suggested for the society of a hundred years ago. The American people were and still are strongly individualistic. That sentiment historically is too closely bound up with our conception of the dignity of man and the sanctity of his rights, so painfully achieved after centuries of unremitting struggle. The issue of modern life is not collectivism versus individualism, but Individualism Through Collectivism. If this phrase is to be something more than a clever dialectical twist, the scientific historian must demonstrate its logic by the analysis of the internal laws of motion in the unfolding of the American drama. This will be the lasting contribution of the Historical Field Theory should it, after examination, withstand the necessary ordeal of scientific criticism.

CHRONIC LAND-HUNGER OF AN AGRICULTURAL PEOPLE

An agricultural people with a rapidly increasing population becomes a land-hungry people. For a small country like England during the seventeenth century the solution seemed to be emigration. With the development of the industrial revolution England had solved her problem of excess population by the building of factories to employ her willing hands. With America the situation was different. The rich, virgin land and forest still yielded to her virile and thriving numbers the readiest access to the good things of their simple life.

Land speculation became the easiest road to wealth for those who had money, or could lay their hands on other people's money. The general method of procedure was for a group of speculators to organize a company and obtain a grant of land. Some of these companies were legitimate enterprises. Others resorted to every species of trickery and chicanery which thousands of years of commercial enterprise had devised and handed down for adoption and perfection to the succeeding generations in accordance with the special requirements of a given situation. In this case the given situation was that due to Maryland's far-sighted policy during the Revolutionary days, the national government had become heir to a vast domain in the Northwest. After considerable difficulty the Southern states were prevailed upon to close their land offices and concede sovereignty to the Federal government in their western lands.[64]

[64] History of the People of the United States—McMaster, Vol. II, pp. 476-7.

Speculators in land had to have recourse to the government for their concessions. Most of them were secured at remarkably favorable prices. The Ohio Company, for example, received five million acres at sixty-seven cents an acre.[65] "Some of the ablest men in Congress were deeply engaged," [66] in this venture. One of the more disgusting breaches of public faith is the grant by the Georgia legislature of five million acres to one company for $67,000, seven million acres to another company for $94,000, while a third got three and a half million acres for $47,000.[67] The scandal attached to this deal later aroused that state to a vigorous reform of its entire land policy.[68] With these details we are not now concerned.

Profiteering, graft, and corruption of the vilest sort have been observed as laying the foundations of the wealth for two of our classes, the landowners and the financial interests. A third class, the manufacturers will soon engage our attention by their plea for government sustenance and support through a tariff system.

This is not said in a spirit of condemnation. All that we desire to do is to emphasize what the remainder of this volume will amply prove, namely, the thesis that great wealth is the product of social effort, and that the individuals who possess it owe their fortunes infinitely more to the operation of social factors than their own petty affirmative contribution would warrant. The production of wealth and the possession of wealth are properties which do not necessarily inhere in the same individual by virtue of his own efforts.

IMPORTANCE OF ACCESS TO THE GULF OF MEXICO THROUGH THE MISSISSIPPI

We observed that upon the conclusion of peace between the erstwhile colonies and England, the newly recognized Republic obtained possession of all the English western lands to the Mississippi and south of the Great Lakes. Spain was still in possession of East and West Florida, and by virtue of its title to Louisiana, had control of the Mississippi by its situation at New Orleans. That great stream was the life-blood of the western American territories as the carrier of their commerce. It was much cheaper to route merchandise from the seaboard through the Gulf and up the river than to transport it a few hundred miles overland through the mountainous territory.

Standing at the very entrance to our western territory Spain was in a position to make exactions from commerce passing through her gate. For many years the traders of Kentucky and Ohio had enjoyed the precarious privilege of using New Orleans as a depot for their goods, subject both to the whim and the greed of Spanish governors.

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[65] Ibid., Vol. II, p. 513.

[66] Ibid., Vol. II, p. 513.

[67] History of the United States—Hildreth, Vol. IV, p. 227.

[68] History of the United States—Henry Adams, Vol. I, p. 304.

In 1800 the navigation of the Mississippi was closed to them by the Intendant of the Province. Such a situation was intolerable both to the dignity of the United States and to the prosperity of our hard fought-for West. Besides this Spain had long used its position at New Orleans as the center of an intrigue to separate the western territories from the Union.

It must be remembered that the Federal Union was new. The tradition of national loyalty had still to be created and anti-Federal, if not separatist tendencies were powerful throughout the country, as witnessed by the Shays' Rebellion in Massachusetts in 1786, the Whiskey Rebellion in western Pennsylvania in 1794, the states rights resolutions adopted by Kentucky and Virginia in 1798, Freis' revolt in Pennsylvania against direct taxes in 1799, the Burr episode in 1805 involving the entire west, and finally the Hartford Convention in 1815 which threatened to separate New England from the Union.

So loose was the sentiment of national loyalty among even highly placed and responsible officials that important government officers did not cavil to act as secret agents of a foreign government, while Blount, a Senator from Tennessee and former Governor of the Southwest Territory, was proven to be[69] in the pay of Spain.[70] General Wilkinson who later was the head of the American military forces during part of the War of 1812 was for a long time[71] in the secret pay of Spain.[72] Such was the melancholy situation of the young Republic during the early years of its formation.

Jefferson was too keen a statesman, too devoted to the ideals upon which this nation was founded and the welfare of the country which had entrusted him with the helm, not to search for a practical way out of the impasse that was developing on the Mississippi.

SPAIN'S RETROCESSION OF LOUISIANA TO FRANCE

Europe was then witnessing the beginning of Napoleon's meteoric career. It was then part of his ambition to re-establish France as the head of a great empire both on the Continent and in Africa, Asia and the New World. As part of this vast enterprise, Napoleon engaged with the King of Spain to carve out an Italian kingdom for his son-in-law of at least one million inhabitants provided that Louisiana, which had been ceded to Spain by France forty years before, should be handed back to France.

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[69] History of the United States—Hildreth, Vol. V, p. 88.

[70] History of the People of the United States—McMaster, Vol. II, pp. 341-2.

[71] March of Democracy—J. T. Adams, Vol. I, p. 227.

[72] History of the United States—Henry Adams, Vol. III, p. 342.

Napoleon duly performed his part of the agreement when the Prince of Parma was created Duke of Tuscany, and Spain was pressed to perform her part by formal retrocession of Louisiana.[73] Jefferson appreciated the significance of a powerful France at the American back door. As a shrewd observer of the international situation, he bided his time until Napoleon was in need of funds to carry on his campaigns in Europe; nor did he hesitate, at one point, to threaten an American alliance with England in order to preclude French hegemony in the Americas.[74]

AMERICAN PURCHASE OF LOUISIANA

In due course negotiations for the sale of Louisiana were successfully consummated, and the United States found itself with an area added to its domains greater in extent than at the time when the pourparlers had commenced. There were many grave obstacles men saw in the path of this gigantic deal, this consummation of historic realpolitik which swept aside heedlessly the pettifogging obstructions of puny intellects on both sides of the deal.

We are indebted to Henry Adams' masterful presentation of the subject from every pertinent angle of observation.[75] Jefferson himself was conscious of the constitutional grounds upon which this accession of territory could be attacked; while his scrupulous concern does as much honor to his political integrity as his action does to his profound grasp of the political realties.

Adams is of the opinion that Jefferson's yielding to the exigencies of the time was the fatal blow to the strict constitutional constructionists. Upon that score the consensus is overwhelming that a certain John Marshall is the villain in the piece. But that is of minor consequence. For ourselves it is but another proof that during the progressive state of our national existence, the imperative social forces plunged on headlong, while in the rear constitutionalists explained, expounded and excused.

The French First Consul on his side was likewise confronted with equally grave technical difficulties: If Louisiana had become French property, he could not constitutionally alienate it without the consent of the French Chambers; if it was Spanish property, he could not alienate what he did not possess; and if that were the case, Spain had a valid claim for the rescission of the agreement.[76]

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[73] History of the United States—Adams, Vol. I, p. 372.

[74] Ibid., Vol. I, p. 410.

[75] Ibid., Vol. II, pp. 90-1.

All of these are ponderous objections. The master minds of the legal world in three countries could fill whole libraries with the pros and cons. History has its own way of resolving such insuperable difficulties. Napoleon acted, Jefferson paid, and the American people surged in to populate their newly-acquired domain. There is no answer so effective in history as an accomplished fact when backed up by adequate force. England was favorable to America's acquisition in order to get rid of her rival in North America,[77] while France for the same reason was glad to see in the hands of a growing Power a territory which she could scarcely prevent from falling into England's hands unless her defeat was encompassed in Europe itself.[78]

That accounts for France throwing into the bargain the whole vast territory when Jefferson hoped for, at best, only New Orleans. In this enormous new domain the representatives of the relatively old, class-divided Atlantic seaboard States were to be confronted on the stage of Washington's political arena with the spokesmen of a yet classless mid-Western agricultural society.

Our democracy was nurtured to manhood on the plains which are tributary to the Father of Waters.

THE INDUSTRIAL REVOLUTION IN NEW ENGLAND

Meanwhile the New England states were developing a prosperous industry. The introduction of steam power made possible the effective employment of machinery with all its economies of production. From insignificant beginnings, the census of 1810 set down the value of manufactures at $198,000,000.[79] Gallatin reported on their diversity, and included in his list iron and iron products, printing types, books, oil and fat products, leather, boots and shoes, glass, jewelry and clocks. This was but the earnest of the development which was to come.

Many factors united in making this a manufacturing country. First the exactions of government were small, while its policies inclined favorably toward the growth of domestic industry. An abundance of raw materials was on hand. A chronic shortage of labor was soon to be overcome at both ends of the dilemma, first by starting a flow of immigration to the industrial centers of the East, and secondly by the search for mechanical devices which would reduce the amount of labor required to assist in the production per item. Both factors contributed powerfully to the future industrial and political history of the United States.

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[76] Ibid., Vol. II, p. 56.

[77] Ibid., Vol. II, p. 24.

[78] Ibid., Vol. II, p. 26.

[79] Economic Development of the United States—Lippincott, p. 213.

All over the country outside the slave belt mills and factories were going up, while the increased demands for capital stimulated by the rich profits of production acted as a powerful lever for capital investment and accumulation. McMaster credits all this to the fertile brain of Hamilton, and ascribes Jefferson's agricultural policies to his intense hatred for the leader of the Federalists.[80] All this, of course, is absurd, the more so when its utterer is one who clothes himself in the garb of historical impartiality. Forces were involved far more powerful than those emanating from the fertile intellect of one, or from the hatred of the other, even if Jefferson were the crafty, and in the words of McMaster, the "servile worshipper of the people." [81]

The truth of the matter is that the sheer economics of the situation compelled the turning of this country from an agricultural to a manufacturing economy. This was due not only to their own situation, but to the political conditions as they then existed in Europe. England was engaged in the bitter struggle against Napoleon, having at stake not only her empire, but her very existence. Her exports had declined by one third [82] due to the stress of her war effort. The United States was building up a thriving trade with Europe. In 1811 our exports rose to $67,000,000 including tobacco and cotton, half of which went to England.

THRIVING AMERICAN COMMERCE DURING THE NAPOLEONIC WARS

Both England and France adopted measures to prevent the other access to the products of the world, and American commerce was caught between these cross-fires. In the five years before 1812 an official report submitted to Congress at its request listed 1047 American ships as being seized by both belligerents, of which France took 558 and England 489.[83] Henry Adams correctly remarks that nations rarely submit to such injury without a motive. This consisted in the large profits realized in the carrying trade.

As long as these profits, on the whole, did not materially diminish, Adams avers, nothing was said about those seizures or the impress-

[80] History of the People of the United States—McMaster, Vol. II, p. 37.

[81] Ibid., Vol. II, p. 51.

[82] March of Democracy—Adams, J. T., Vol. I, p. 245.

[83] March of Democracy—Adams, J. T., Vol. I, p. 245.

ment of American seamen into the British Navy.[84] The inference is not wholly fair. Nations have also been known to sacrifice in the support of some principle as with the United States in 1917 when goaded on by U-boat sinkings, many times over the profits made in the course of trade with belligerents at war. In full justice, Adams ought to have added that the United States then was in no position to protest effectively against either of the aggressors upon its national dignity and the business of its citizens.

War with France or England was the last thing to be sought by the young Republic. Whatever romantic sympathies France had excited during its Great Revolution had long since been dissipated by the advent of Napoleon and the unfoldment of his ambitions on scores of European battlefields. Washington's policy of no entangling alliances had become the formula of international relations under Jefferson. The United States had not the means to engage either the world's greatest naval power, or the world's most aggressive military power. In view of the practical realities, the military establishment of the country was, according to contemporaries, in a state of neglect.

That term itself is unfair because of its opprobrious inferences. Partisanship could well charge Jefferson with pusillanimity, but even in Washington's regime the futility of aggressive warfare was clearly recognized.[85] A small navy for coastal defense, and an army sufficient to preserve the domestic peace was all that could be reasonably expected, was all that the nation required, and was all that it could afford.

As events developed later, Jefferson was charged with having left the country in a defenseless position. Hildreth, as a staunch Federalist, is most bitter in his denunciation of the small navy policy which he followed.[86] He scorns the short-sightedness which reposed the coastal defense upon small gunboats which ran the danger of being swamped in rolling seas or sunk when they fired their guns.[87] He condemns in violent terms the great Democratic leader's pacifism which in his eyes assumes the proportions of a shameful betrayal of the nation's interest.[88]

Yet the sombre facts of history record that it was during the administrations of Washington and Adams that the American government was reduced to the necessity of paying two million dollars in tribute over a period of ten years to the pirate states of the Bar-

[84] History of the United States—Henry Adams, Vol. III, p. 95.

[85] History of the United States—Hildreth, Vol. IV, p. 596.

[86] Ibid., Vol. V, p. 583.

[87] Ibid., Vol. V, p. 650.

[88] Ibid., Vol. VI, p. 58.

bary Coast.[89] It was Jefferson who put a stop to this shameful and degrading policy,[90] which was dictated only by the weakness of our naval forces. No one, of course, charges our first two Presidents with the neglect of the national honor. It was their determination to resist those very exactions which resulted in the creation of the naval force [91] which Jefferson employed so successfully in the vindication of our flag. Still it was one thing to reduce the insolence of pirate states; it was a far different matter to defy with arms the policies of either England or France.

THE EMBARGO AS A MEANS OF DEFENSE

These were the considerations which influenced Jefferson in advocating, and Congress in adopting the Embargo on all commercial intercourse with those countries in particular and the world in general. Jefferson justified his policy in reply to a Boston memorial of remonstrance: "To have submitted our rightful commerce to prohibitions and tributary exactions from others would have been to surrender our independence. To resist them by arms was war, without consulting the state of things or the choice of the nation. The alternative preferred by the Legislature of suspending a commerce placed under such unexampled difficulties, besides saving to our citizens their property, and our mariners to their country has the peculiar advantage of giving time to the belligerent nations to revise a conduct as contrary to their interests as it is to our rights." [92]

James Truslow Adams presents interesting statistics to show that the effects of the embargo were felt most heavily in the South from whence Jefferson received his greatest support. While the exports from the North declined about 75 per cent, those from the South fell off 85 per cent. If we consider that the South had no industries and depended wholly upon the export of its staples for its prosperity, while the North enjoyed a varied economy of which commerce was but a part, then we can gauge the utter inadequacy of the explanation that not the national honor, but economic or territorial or other material considerations were in the background of the real factors which were leading up to the War of 1812.

As it so turned out, the American embargo policy happened for the moment to coincide with Napoleon's Continental Policy which was designed to crush England by cutting her off from commercial intercourse with the world. Actually the wishes and interests of the young American Republic played no role in the calculations of the rulers of either England or France.

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[89] March of Democracy—Adams, J. T., Vol. I, p. 219.

[90] History of the United States—Hildreth, Vol. V, pp. 482-4.

[91] Ibid., Vol. V, p. 433.

[92] Ibid., Vol. VI, pp. 89-90.

BLOCKADE RUNNING BY AMERICAN SHIPS

Despite the government's best efforts an enormous illicit commerce developed principally between the Northern states and European countries through roundabout channels at both ends, some by way of Canada and less-frequented ports on the New England coast by vessels bound for the belligerents via neutral countries.[93] Profits of over a hundred per cent on a shipment were the usual and expected results.[94] England and France countered by seizure of ship and cargo, and often, in the case of the former, by impressment of the crew who were claimed to be, or looked to be, English seamen who had deserted from their marine.

When pressed upon the point of property confiscation, England blandly pointed to her "Rule of 1756" which declared that a neutral should practice no trade with a belligerent which it had not practiced with the same nation during peace, while Napoleon justified his acts by the assertion that since the embargo no vessel of the United States could navigate the high seas without violating the law of its government, and its presence on the world highways was presumptive evidence that it did so with false papers on British account or connection.[95]

A new class of vessels suddenly made their appearance which could, on demand, exhibit licenses for trade under the flags of Pappenberg, Varel and Kniphausen, whose neutral status England and France would tremble to violate.[96] It would be fruitless to continue the pros and cons of this legal casuistry. Force has invariably been the ultimate basis for the regularization of international relations, and this force has always been employed in the support of paramount national interests whenever they clashed with abstract notions of international law.

Despite the active opposition of the New England representation in Congress to any warlike measures, their people back home were as actively opposed to this exercise of economic pressure in defense of the national honor. Embargo Day was one of general mourning

[93] History of the United States—Hildreth, Vol. VI, p. 93.
[94] Ibid., Vol. VI, pp. 386-7.
[95] History of the United States—Henry Adams, Vol. IV, p. 304.
[96] History of the United States—Henry Adams, Vol. VI, p. 273.

in that section. Flags were at half mast and ribald ballads were huckstered on the streets defamatory of the President, The Congress and General Embargo.[97] Resistance to its enforcement was openly advocated, and the sons of the men of 1776 did not hesitate to enshroud themselves in the glory of their forebears by repeating the phrases that government enforcement constitutes a blockade which they would emulate their fathers in resisting.[98]

EFFECTS OF THE EMBARGO ON THE NORTH AND THE SOUTH

The immediate economic effects of the embargo were disastrous.[99] Thirty thousand sailors were thrown out of employment. One hundred thousand workers were indirectly affected. New York witnessed an epidemic of bankruptcies, while its prisons for poor debtors experienced epidemics of disease due to their crowded and filthy condition. North Carolina adopted a stay law, while the sheriffs in Ohio connived at collusive bidding in foreclosure sales.

Of the two sections, the South which was hardest hit, bore up more stoically. Cotton and tobacco were the planter's staple. Both were export crops. Upon their sale he depended for the funds with which to meet his business obligations and his social requirements. His slaves had to be fed. Yet he bore all this without weakening the stand of his government by protest or threat, for he knew that to retreat meant to admit defeat, and the national honor could not stand that impairment which his own business honor now experienced.

As between England and France the popular resentment was directed against the traditional enemy. In New Jersey an attempt was made to stop the use of English common law in its courts. In Kentucky all legal authorities cited or precedents quoted had to be from legal works which were written after the American colonies declared their independence. Pennsylvania forbade the citation of English law, a provision which remained in effect for over twenty years.[100] "The bitter hatred of England, of which these acts are but three feeble expressions, increased with time, till it became a blinding passion, warping the judgment and overpowering the reason," [101] wrote McMaster. Even Massachusetts, the hot-bed of Federalism was moved in the ensuing election to sweep the Republicans into power.

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[97] History of the People of the United States—McMaster, Vol. III, pp. 323-5.

[98] Ibid., pp. 326-7.

[99] Ibid., pp. 414-16.

[100] Ibid., Vol. III, pp. 417-18.

[101] Ibid., Vol. III, p. 419.

CAUSES OF THE WAR OF 1812

Modern historians appear to take more then the usual malicious delight in exposing, as they view it, the unworthy motives which impelled the United States to embark upon war in 1812. Without troubling to analyze the intricate threads of the completed historical pattern, they seize with particular glee upon the grammar school texts which stress the issue of impressment of American seamen by the British Navy on the ground that they were deserters.

Woodward sneers at Madison's tabulation of 6,057 seamen taken off American ships.[102] Boudin jibes at the Kentuckians' hot-foot for war who would defend our right to the seas, while Massachusetts which sent so many of her sons down to sea in ships protested they desired no such protection.[103] Beard has a simple explanation for everything, economic determinism: America in the age of agricultural imperialism wanted land for expansion, and the real cause of the war was the desire to annex Canada and Florida for our expanding agriculture.[104]

Henry Adams who is by no means a writer easily convinced, offers substantial evidence to prove that over thirty-five hundred seamen impressed by England claimed American citizenship.[105] Hildreth of whose exacting factual thoroughness we have given sufficient proof, puts the number of seamen actually taken from American ships at over ten thousand.[106]

Every student of that period concedes that impressments was not the cause, but one of the justifications of the war. This is an historical situation with which every scholar is or ought to be thoroughly familiar. The popular appeal to arms cannot be preceded by lawyer-like dissertations upon Ordinances in Council, upon the ethics of foreign ships patrolling our coasts and entering our harbors, or of the rights of neutrals and the duties of belligerents. It is difficult to arouse enthusiasm for war by a lengthy analysis of the debits and credits of commerce. Popular irritation is long in rousing to the firing point, but some quick, snappy slogan is required to startle them into action.

Even then the slogan of impressment was half-hearted, and raised only when war was inevitable.[107] Adams frankly admits that probably four-fifths of the American people desired to avoid war, although a fair majority were convinced that the international position of the United States as it then existed was intolerable, and that war was justified if only to resolve that impossible situation. "That the war was as just and necessary as any war ever waged," wrote Henry Adams, "seemed so evident to Americans of another generation that only with an effort could modern readers grasp the reasons for the bitter opposition of large and respectable communities which left the government bankrupt, and nearly severed the Union." [108]

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[102] New American History—Woodward, p. 311.

[103] Government by Judiciary—Boudin, Vol. I, p. 270.

[104] Rise of American Civilization—Beard, Vol. I, pp. 410-11.

[105] History of the United States—Henry Adams, Vol. VI, p. 456.

[106] History of the United States—Hildreth, Vol. VI, p. 235.

[107] History of the United States—Henry Adams, Vol. VI, pp. 116-7.

James Truslow Adams attempts to personalize the factors of history by asserting that had a trans-Atlantic cable existed in those days, or if the American Minister had not left London in a huff at a critical moment "there would have been no war." [109] It appears that certain Orders in Council against which the Washington government complained so bitterly had actually been suspended two days before we declared war. Neither Adams nor the present writer can state with finality what would have been the consequence of this suspension had Washington heard of it prior to the formal declaration of hostilities. Certainly the question of recourse to arms in the face of a long list of accumulated grievances had been debated long before that irrevocable step was taken, while it is exceedingly doubtful whether the bitter resentments and griefs of twenty years would have been assuaged, as it were, by a grudging concession yielded only upon the threat of war. The temperament of neither the American nor the British people is so pliant as to submit to such threats.

THE MUCKRAKER'S THEORY OF AN AGRICULTURAL IMPERIALISM IN 1812

But whatever the conclusion, one thesis must be ruled out; namely that the real, underlying cause of that war was the desire to annex Canada and Florida. Surely the United States did not have to involve herself in a struggle with a formidable antagonist as a means of obtaining Florida. That territory was long marked out for American picking, even before the satisfying doctrine of the Manifest Destiny of the American Republic was formulated to justify further territorial extension toward the south and west.

At another place we discussed the Canadian aspect of the problem at length. Beard's sole reliance is in Pratt's thesis,[110] and we have already proven that Pratt himself did not venture to clothe his ideas as the self-sufficient explanation of the causal factor of the War of 1812. Speeches of many men may be quoted, and obscure letters by insignificant personalities can be scraped out from moth-eaten cellar or attic trunks, but the facts of life belie all these attempts at Machiavellianism.

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[108] Ibid., Vol. VI, p. 224.

[109] March of Democracy—Adams, J. T., Vol. I, pp. 245-6.

[110] The Rise of American Civilization—Beard, Vol. I, pp. 410-13.

Canada was a pawn in the game of power politics whereby the United States was to compel Great Britain to be more circumspect in its observance of American rights.[111] Some statesmen, like Grundy and Johnson dreamed of extending the United States through the whole of North America,[112] but the well-reasoned and amply-documented arguments of Hildreth are the more rational explanation of the war's course.

Certainly if the United States dreamed of Canada's conquest, its conduct of military operations on the northern border was best calculated to defeat that objective. Boudin blames the New England School of American History for coloring the facts of that war.[113] Had he better acquainted himself both with the facts and the writings of those historians, he would not have ventured to lean so heavily on Beard who in turn relied so implicitly on Pratt's intuition on the course of events. The war was ill-fought because it had no such definite objectives as the muckraking school would fasten on to it, and its inconclusive military termination constituted its own best refutation.

Still the United States toward the end of the struggle was in a favorable military position to pursue its alleged imperialistic aims. Its armies were victorious on three fronts; in the South, on the Atlantic Coast and on the Canadian border.[114] But the honor of the nation had been vindicated. It had taken up arms, though most unwillingly, in defense of its sovereign rights. It had exhibited remarkable fortitude in defeat, and shown extraordinary resiliency in springing back to the effort after disheartening reverses. The war had unified the nation toward the end, despite the subversive tactics of the Federalists in New England, who with typical circumlocution were seeking to weaken, if not disrupt the Union through the entering wedge of a coalition formed at Hartford for the ostensible purpose of reforming the Constitution.

A load of obloquy rested on Massachusetts for its discreditable part in the Hartford Convention, and for once her representatives in Washington bowed meekly before the scorn which the old Commonwealth so richly merited.[115] To be pointed out as a delegate to that body was a badge of disgrace in the days which followed the successful conclusion of the war.

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[111] History of the United States—Hildreth, Vol. VI, p. 303.

[112] History of the United States—Henry Adams, Vol. VI, pp. 141-2.

[113] Government by Judiciary—Boudin, Vol. I, p. 271.

[114] March of Democracy—Adams, J. T., Vol. I, pp. 250-54.

[115] History of the United States—Adams, Henry, Vol. IX, p. 160.

CHAPTER X

Beginning of America's Industrial Transformation

CONSEQUENCES OF THE WAR OF 1812

The War of 1812 was one of the most memorable of our wars in the lasting effects it had upon our history. Its achievements were not listed in the treaty of peace, for they did not consist of those tangible things to which one could point, such as the boon of independence, or the acquisition of territory, or the receipt of an indemnity. The gains were infinitely more precious. We had entered the war a straggling union of self-centered states; we emerged a solidified and united nation. Henceforth, no nation would treat us cavalierly, or proceed with supreme disregard concerning the possible effects of their conduct upon the course of our national policy.

A new type of leadership had emerged during the struggle as typified by the spirit of Young America. Clay, Calhoun, and soon Webster were to be heard preaching a new philosophy whose central core was wound around the theme of the American Union, the American nation, the American people. Long and earnestly were they to strive for that goal of national unity, to steer the young country through the trials which were to beset it for forty long years before further compromise became impossible, and the final nation was to be forged on the anvil of the Civil War. But it is to their patient labor we owe the fact that the anvil was wrought sufficiently strong to withstand the terrific impact of those terrible blows.

America had entered the war a predominantly agricultural country. She emerged with a mush-room industry that required the protecting arm of the government which was extended in the name of the American System which Clay championed in many a hard-fought legislative battle.

Looking backward it is easy to appreciate the significance of that war, but even the contemporaries were conscious of the vague greatness which appeared to beckon their country on. Ever since the Treaty of Paris in 1783 the young Republic had lived under a cloud.

First, there was the disorganization under the Articles of Confederation; second, the fine-spun balance between the States and the Federal Union woven into the fabric of the national government by the terms of the Constitution; third, the humiliating violation of our rights by both France and England in varied and numberless episodes during the administrations of our first four Presidents. That cloud had now lifted. A New America was to evolve; a continent was to be conquered, and through the travail of sectionalism a new people was to come into being.

Farrand subscribes to the statement of John Quincy Adams that the War of 1812 was as significant in our history as the War of Independence.[1] He himself concludes that "the War of 1812 may well be taken as the turning-point in the history of the United States; not that the war itself was so important but the attending circumstances mark the beginning of a new era." [2]

No wars are important in themselves, except to the military strategist. The historian must always consider such an event in its social connections. The Historical Field Theory is predicated upon that strict necessity, and we shall now consider the political, the economic and the ideological consequences of that struggle.

COSTS OF THE WAR

As wars go, considering that it was carried on during four calendar years—the battle of New Orleans was fought in January, 1815 before news had arrived of the conclusion of peace—the cost in men and money was exceedingly small. Adams states that seldom were there as many as thirty thousand men under arms at one time. The total losses did not exceed five thousand, two-thirds of whom perished by disease. The total debt increase due to war burdens was eighty million dollars.[3]

It is a melancholy fact that profiteers took advantage of the necessities of the government, charging it at one time a discount of twenty-two per cent before they would advance the cash [4] it so sorely required. Yet only three years later these same bonds were selling above par.[5] "The truth is," concluded McMaster, "no people had ever before fought so long a war at so small a sacrifice of life, property and money." [6]

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[1] Development of the United States—Farrand, pp. 140-41.

[2] Ibid., p. 125.

[3] History of the United States—Henry Adams, Vol. IX, pp. 90-91.

[4] History of the United States—Hildreth, Vol. VI, p. 543.

[5] Ibid., Vol. VI, p. 650.

[6] History of the People of the United States—McMaster, Vol. IV, p. 320.

RISE OF THE YOUNG AMERICA MOVEMENT

From a political standpoint, in the profounder meaning of that term, the war brought to the fore a new type of statesman, the one who thought in national and not in state terms, who was stirred with the pride and dignity of his American citizenship, and who did not think himself disloyal to his native State when he spoke out for the larger interests of the nation. Of this Young America, Henry Clay was the leader.

Peck states that the secret of Clay's transfer from the Senate to the House was to make him the leader of the war party in the popular branch of the legislative organ.[7] The legend is doubtless apocryphal, for at that time the House of Representatives was by far the more important body for those who possessed the talent for political leadership and sought the proper medium for its expression. Boudin pays Clay the indirect tribute of having been one of those most responsible for bringing about the War of 1812, and though from his peculiar point of view its primary objective was territorial aggrandizement, he concedes that Young America with its program of internal improvements and a protective tariff was firmly intrenched in control of the dominant political party.[8]

Clay's burning patriotic zeal typified the spirit of the new West to which he gave such eloquent expression. The disease of national self-degradation had to be extirpated as it were by the knife, and the sword of war performed the miracle of American regeneration. No more could it be written that the habit of looking upon themselves as a race of cowards, bent only upon money-making, had sapped from the American veins the last ounce of virility.[9] No more could it be said that so deeply diseased was American opinion that patriotism had vanished, and that the best men in the Union took active part with British statesmen in lowering and degrading their own government.[10]

Every patriotic heart could exult with John Quincy Adams in the statement that as an immediate consequence of the war the United States could insist on its rights in a commercial dispute with Canada in 1816, and enforce its position against the province and the British Empire with ultimate concession of the issue by both.[11] So, too, could the United States fifteen years later reject summarily in the manner of power politics the decision of its own arbitrator, the King of the Netherlands, to whom was submitted the boundary dispute between Maine and New Brunswick, and insist upon a further rectification to meet its point of view.[12] The War of 1812 severed the last psychological strings which held the dominant social forces in America moored to their English heritage, and gave the initial impetus toward propelling upon the political arena the new America which had been developing unperceived beyond the Alleghenies.

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[7] The Jacksonian Epoch—Peck, p. 50.

[8] Government by Judiciary—Boudin, Vol. I, p. 272.

[9] History of the United States—Henry Adams, Vol. V, p. 211.

[10] Ibid., Vol. IV, p. 350.

[11] Development of the United States—Farrand, p. 140.

THE EMBARGO AND WAR DIVERTED CAPITAL TOWARD INDUSTRY

At another point we have emphasized that the immediate effects of the embargo on American commerce were disastrous to all classes of our population; the mechanics and the manufacturers, sailors as well as shipowners. The unforeseen, yet inevitable, consequences of the embargo and the non-importation acts was to divert capital from commercial to industrial pursuits. The very embargo against which Massachusetts protested so bitterly as ruinous to its trade was the means for launching her and the rest of New England, together with the Middle States, upon their career of future industrial greatness. The American navy, it must be confessed with shame, had to be employed to enforce New England compliance with the national policy.[13] A few years hence her representatives were pleading for the continuation of the restrictions in order to protect the millions invested in manufacture,[14] while the declaration of peace by opening the doors to English exports threatened to destroy the prosperity which these industries had brought to that section.[15]

Webster who had spoken against protection and industrialization in 1814 [16] was soon to become its most outspoken champion for a new-born industrial New England. With the end of the war industrial capital usurped the dominant role heretofore played in that section by commercial capital,[17] while the demand was becoming irresistible for the protection of these infant industries from European competition.[18]

The result was the first outspoken protective tariff of 1816. How radical was this development of national policy is observed by noting the terms of this statute which marked the transition of the country from a predominantly colonial status economically, to that of an upsurging, industrial economy which was bound to influence the entire course of its future history.

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[12] History of the People of the United States—McMaster, Vol. V, pp. 463-76.

[13] History of the United States—Henry Adams, Vol. V, pp. 20-21.

[14] Ibid., Vol. VI, p. 447.

[15] Ibid., Vol. IX, p. 95.

[16] Ibid., Vol. VII, pp. 375-6.

[17] History of the United States—Hildreth, Vol. VI, p. 681.

[18] Ibid., Vol. VI, p. 630.

New England had seized with avidity upon cotton manufacturing, the teething ring of all nations which set their uncertain footsteps on the road toward industrialization. Cotton manufactures which came in free in 1789 now paid a duty of 25 per cent; leather boots and shoes went from fifty cents a pair to one dollar and fifty cents; hats from 7½ per cent to 30 per cent; linen from 5 per cent to 35 per cent; paper from 7½ per cent to 30 per cent; nails from one cent a pound to three cents.

The vote on this bill already indicated a new sectional alignment in Congress. Old shibboleths based on political traditions were discarded for the newly-developed economic interests in the various parts of the country. New England cast 17 votes for protection with ten against; the Middle States voted 44 to 10 on the measure, showing for the first time a definite cleavage in the ancient political affinity which long subsisted between Pennsylvania and Virginia.[19] The South and Southwest divided 23 for and 34 against.

The tariff of 1828 went much further along the road to protection. By this time the South had fully determined upon its course, casting only three votes out of fifty-three in favor of the tariff bill, with the Middle States as the bulwark of its support. New England and the Southwest were still divided on the issue, and for opposite reasons. The first was still torn between the conflicting interests of its old shipping magnates and its new industrial baronage, while the other was rent between allegiance to its native son and incomparable champion of the American System, Henry Clay, and the inducement of buying its necessities cheaper from abroad, both as to price and quality.

PRINCIPLES AND POLICIES OF TARIFF LEGISLATION

Probably no subject has been more debated and with less understanding than the tariff question. Yet the issue itself is plain, when once we succeed in divesting it of the mass of special pleading which generally engrafts itself upon the main principles. There is no justification for a discriminating tariff on a monopolistic product which fears no competition, but adds the rate on to the price. Tariffs are a means of additional public exploitation when the beneficiaries combine to keep up the price. Tariffs are a definite hardship when they function to charge all the traffic will bear in the home market, with profits so exorbitant that the surplus can be dumped abroad at less than the cost of production.

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[19] Financial History of the United States—Dewey, p. 163.

With these abuses we have nothing to do in the consideration of the principle in its historical setting. If they are defects which inhere to the policy itself, then they must be studied in that light; but if they are superimposed upon the policy by greedy and unscrupulous interests, then the question arises whether or not the principle is severable from such practical application and abuse. The theory underlying protection is to develop in hot-house fashion the industrial economy of a nation whose industries find themselves in competition with the products of another on the domestic market.[20] It was all very well for Adam Smith to generalize upon the blessings of free trade so long as England had the inside ring as regards the rest of the world.

Practical statesmen had long noted the relation of economic self-sufficiency, particularly in the supply of those things necessary to the general economic well-being, and the national defense. It is interesting to note that every nation, without exception, that set its feet upon the road of industrialization always did so in defiance of Smith's earnest exhortations repeated and re-inforced by the intelligentsia of their respective universities. As late as 1923 Keynes was advocating the blessings of Free Trade, because, he admits, he like every other Englishman was brought up on that philosophy which was based on laws as unalterable as those which govern the movements of the heavenly bodies.[21] But even England in 1932 began to adopt the policy of a protective tariff and a closed Empire trade.[22] Industrial self-sufficiency is too closely interwoven with military strength to be long disregarded by a nation anxious to maintain its rank as a First Class Power in a world where capitalist economy prevails.

HENRY CLAY, THE FATHER OF THE AMERICAN SYSTEM

Over a hundred years ago Clay spoke well and truly when he said in one of his memorable addresses in behalf of the American System: "Gentlemen deceive themselves. It is not free trade that they are recommending to our acceptance. It is in effect, the British Colonial system that we are invited to adopt; and, if their policy prevail, it will lead substantially to the re-colonization of these states, under the commercial dominion of Great Britain."[23] With that mastery for political effect which characterized his great addresses, he concluded the point by placing in juxtaposition the British Colonial System and the American System as the real choice which the country was called upon to make.[24]

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[20] Capital—Marx, Vol. III, pp. 911-3.

[21] Quoted by Dutt in his work on Fascism, p. 86 (1935).

[22] Fascism and Social Revolution—Dutt, p. 85.

[23] Speeches of Henry Clay—Vol. II, pp. 23-4.

This was by no means an over-statement. There are many ways in which independence can be transformed into a hollow sham; one of the commonest being to reduce an otherwise sovereign country to the status of a mere provider of raw materials for a manufacturing country, and as a convenient sponge for the absorption of its exportable merchandise and of capital enterprises which, while nominally free, are actually subject to the dictates of the commercial houses of the lending country. Such was the status of the South from its colonial days. Such it remained until the Civil War definitely settled the problem of the nation being half free and half slave, not only in the question of slavery internally, but of economic dependence externally.

This economic dependence was the scientific justification for Engel's remark that up to the Civil War, and the following years, the economic development of the United States was a product of European, more particularly of English capital, and it must therefore be considered economically as a European colony, despite all its trappings of sovereignty.[25] The United States did not reach to its full national estate until the beginning of this century when it ceased to rely for its development upon the capital investments of Europe. Because Henry Clay fought with such clarity of judgment and with such persistent courage for the principle of the protective tariff, he deserves to be ranked in the lexicon of the American great among the immortals to whose memory we accord instinctively the fullest measure of genuine reverence.

There comes a time when the protective tariff principles become the excuse for abuses, or they outlive their historic mission when the toddling industrial infants become enormous industrial giants. But we are speaking of the America during its Period of Expansion, when the national economy was beginning to take root and required help during its struggling days for survival in the face of keen European competition. Engels, the great co-worker of Marx, surely cannot be charged as having been a tool of the German industrialists. Yet he strongly urged upon the German workers to support the protective tariff, during the 1880's, in order to hasten the development of capitalist economy, and to build up a powerful bourgeoisie who would aid them in the common struggle against the hereditary land-owning aristocracy.[26]

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[24] Ibid., p. 57.

[25] Note by Engels in Marx's Capital, Vol. I, p. 493.

THE TARIFF MECHANISM AS AN AID IN THE TRANSFORMATION FROM AN AGRICULTURAL TO AN INDUSTRIAL ECONOMY

To embark upon the course of industrial development is a momentous step in the history of an agricultural nation. It is one thing to use products; it is a far different matter to produce them. Travellers have been astonished to note with what rapidity the natives of Africa learn to use such a complicated mechanism as an automobile. But to produce them requires a host of contributing factors, each of which in itself is of tremendous significance to the life of a people. Among them is the high general level of education which an industrial society demands of its workers; technology must be at an advanced stage of perfection; as likewise the means of transportation, communication, accessory production, capital accumulation, finance, and the whole host of conditions which are prerequisites for successful production on a capitalist basis.

These preliminary requirements are not conjured up out of hand in the normal growth of that economy on a laissez-faire basis. Capitalist production seizes upon conditions as it finds them, then slowly perfects the processes of production and exchange under the impelling force of competition. Some achievements are individual, depending upon the native skill and ability which one possesses or can command. Other needs are of a general nature whose benefits inure to all producers alike, such as the general level of culture, of scientific advancement and the degree of social stability as reflected in a firm government, fair laws and their equitable application in accordance with the standards of the time.

NEED FOR AN ADEQUATE TRANSPORTATION SYSTEM

Among these general needs most directly felt by both the producer and consumer during the Expansion Period was that for economical and expeditious transportation. To every country, and particularly in a new country like the United States, transportation was the most basic requirement of a growing industrial society. So long as the mass of people lived along the seaboard with ready access to navigable waters, ships were sufficient for their purposes. But the center of population had long been shifting toward the west. The amazing fecundity of early American women where families of ten were quite ordinary must startle the modern generation whose women, if of the upper social strata, cannot be annoyed with children, and if of the lower social strata, cannot afford to rear them.

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[26] Karl Marx—Mehring (1935), pp. 156-7.

Each mode of production has its own law of population. In colonial society children were an economic asset, while the means for their support was relatively cheap and easy to obtain. As they grew to adulthood, they naturally migrated to where cheap land could be obtained. Obviously there was a limit beyond which the paternal farm could not be divided among the heirs, nor did the historical and geographical situation compel the resort to family limitation such as the French peasant has been compelled to practice for generations until France itself has become a stagnant nation.

In the South the system of large plantations forced the poor whites to go farther westward until they were pushed beyond the Appalachians. The New Englander and the landless inhabitants of the middle area were likewise driven farther west in search of that all-important requirement of an agricultural people.

It is a striking but readily comprehensible fact that the emigrants from both sections of the country followed parallel lines in their westward trek, with remarkably little inter-mixture, reproducing thereby the essential social and ideological civilization to which they were accustomed, and modified only in its externals by the new conditions to which their environment gave rise.

So favorable were the conditions of life to the propagation of the human species that within forty years after the founding of the Republic the population had actually tripled by natural growth.[27] The white population had risen from three million to ten million, while the Negroes, due to the harder conditions of their life, were more restrained in their increase.

Of immigrants from Europe there were comparatively few during that period, the statistics showing that only 365,000 had come to establish themselves in the United States,[28] principally on the land as independent farmers. The industrial development of the country had not yet reached the phase where we cajoled, begged and implored the surplus populations of Europe to come here and help build our railroads and man our factories. Three million of our people were already in the Mississippi Valley, and nine new States had been added to the original thirteen from that area.

First among the needs of this section was means of transportation.

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[27] The Rise of American Civilization—Beard, Vol. I, p. 507.

[28] Development of the United States—Farrand, p. 174.

This was a basic economic necessity for the whole country, but more so for this newly-opened land. In the New England and Middle States, a tremendous impetus had been given to the construction of roads by the exigencies created during the War of 1812. The Washington government had then found itself severely hampered by its inability to expedite men and supplies to its northern frontiers, since the British blockade of the coast had closed to it the customary water route. For the same reason New England was cut off from its usual course of trade along the coastal route.[29] Road-building became the need of the day. Nor did this need end with the war.

County roads, state roads, and private turn-pikes charging a toll were undertaken in larger measure. Calhoun advocated that the Federal government should on its own account assume the responsibility for the construction of internal improvements through roads and waterways, and proposed that the income derived from the profits of the government investment in the Bank of United States should be set aside for this purpose. He frankly admitted the reversal of his former opposition to such undertakings on the ground of its unconstitutionality, by taking the reasonable attitude that the constitution was intended for its own perpetuation, and that this was endangered by the development of vast territories remote from the center of government and contact with the bulk of our people. And with biting sarcasm directed to the New England section, he supported roads and canals to join distant states in bonds so strong that no Hartford Convention could ever break them.[30]

Long before, Jefferson had urged the importance of roads as a means of binding together the remote territories into a comprehensive Union, and we observe once more that the early strict constitutional constructionists were willing to adapt their political policies to the requirements of a given situation.[31] Again Massachusetts, with that strange perverseness which characterized her statesmanship during the first fifty years of the Republic, bitterly opposed internal improvements which tended to encourage her surplus farm population to go West.[32]

Adams explains this intransigent attitude as due to the consciousness of her own decline in the political and economic life of the nation.[33] Emerson in looking back upon that period exclaimed bitterly against the intellectual and political decadence which had

[29] History of the People of the United States—McMaster, Vol. IV, p. 409.

[30] Ibid., p. 413.

[31] History of the United States—Hildreth, Vol. VI, pp. 208-9.

[32] Ibid., Vol. VI, p. 414.

[33] History of the United States—Henry Adams, Vol. IX, p. 103.

seized upon the grand old Commonwealth,[34] and to protest that "Europe stretches to the Alleghenies; America lies beyond." [35] Constitutional objections to progress have always been the last parliamentary bulwark of reactionary self-righteousness, but by one way or another these objections were circumvented.

Under the pretext of building military roads, improving postal facilities and promoting interstate commerce, all venerable excuses within the bound of the constitutional mandate, the Federal government early in its career embarked upon the program of assisting States in the perfecting of their land and water transport facilities.[36] To these projects Clay extended the powerful support of his far-sighted statesmanship. The ingratitude of republics has long been the fruitful theme of declamation, but it is a pleasure to record that during his own lifetime a beautiful monument was erected upon the Cumberland Road surmounted by a female figure representing the Genius of Liberty and inscribed only with a single name—Henry Clay.[37]

POLITICAL CONSEQUENCES OF AMERICA'S EXPANDING FRONTIER

Turner in his famous essay on the influence of the frontier upon the development of American institutions is prone to over-generalize the temporal and historically limited situation of America into an absolute condition of American existence. The close of the frontier at the end of the nineteenth century did not mean the end of the "American spirit," whatever that means. It only indicated that a certain spirit typical of America in its growing and expanding agricultural frontier days had come to a mechanical end with the closing out of arable public land for settlement. As a dominant political factor in America it had long ceased to play the impressive role it had assumed from the Jackson era to that of Lincoln. From then on until Theodore Roosevelt, the Valley of the Mississippi was the breeding place of our Presidents, retaining thereby the semblance of political power, while the real power was in the hands of the moneyed hierarchy of the East. But during the Expansion Period the virile spirit of Young America was to be found in the West.

Under the slogan of internal improvements the various segments of the country were being drawn into close economic collaboration.

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[34] Rise of American Civilization—Beard, Vol. I, p. 503.

[35] Quoted by Farrand in his Development of the United States, p. 159.

[36] History of the People of the United States—McMaster, Vol. IV, p. 423.

[37] Reprinted in Life and Speeches of Henry Clay (1843), Vol. II, p. 432.

There began to develop a differentiation of production based upon the particular character of their resources. The New England and Middle States began to specialize on manufactures.

Soil exhaustion had begun to take its toll upon the agriculture of the Atlantic seaboard. The South was compelled to cast out for newer cotton fields farther on, while the Northwest embarked upon its specialty as the granary of America. The steamboat in larger numbers was plying the navigable waters, while the impressive works of man, like the Erie Canal, made up for the deficiencies of nature on the basis of his current needs.

"The completion of the Erie Canal in 1825," wrote Lippincott, "was the signal for an outburst of enthusiasm not only for canals but for other forms of improvement." [38] The result was that within two decades the immemorial quiet of the countryside was broken with bustle and the clang of multitudes of men and their equipment for the task of road, canal and railroad construction.

ECONOMIC DIFFERENTIATION FOLLOWS TERRITORIAL EXPANSION

The necessities of the agricultural West were forging the industrialism of the East. To-day it was its handmaiden; to-morrow it was to become its master. The multiplication of the means of transportation brought with it the practical extinction of home industries, at best a makeshift.

In a backward country or a new country that mode of production was inevitable. As long as transport charges were many times the value of the product itself, the specialization of production was impossible. An official document of a legislative committee in New York reported in 1817 that it cost one hundred dollars to ship a ton of freight from Buffalo to New York, which was three times the market value of wheat, six times that of corn, and twelve times that of oats.[39] A ton of manufactured products going in the reverse direction upstream doubtless cost more, but the transportation charges were less per unit in proportion to their number and the greater value of their products; but they still must have met with impossible barriers on account of the additional charges.

In 1820 household production accounted for two-thirds of the textile production of the country.[40] Consequently it was of the coarsest kind, thought most serviceable in character. The unvarying experience of mankind is that one of the first evidences of increasing general well-being is in the quality and variety of its clothing and fabric household furnishings. The first industry seized upon by a country embarking upon industrialization is the production of cotton goods and cloth. That was the experience of England in the last quarter of the eighteenth century, and of the United States during the first half of the nineteenth century, as it was of Japan during the first quarter of the twentieth century.

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[38] Economic Development of the United States—Lippincott, p. 254.

[39] Economic History of the United States—Lippincott, p. 252.

[40] Ibid., p. 218.

There are many economic and technological reasons which enter into this; principally the fact that production can be carried on effectively in small industrial units requiring modest outlays of capital in machinery and raw materials; that labor can be easily trained as accessories to the machine; while the products are themselves readily severable and sold in small quantities to an inexhaustible market.

The tremendous import of these factors is observable in the case of the United States in the statistics on the manufacture of cotton goods:

	Number of Spindles	*Bales Consumed*
1815	130,000	54,000
1840	2,285,000	237,000
1860	5,236,000	845,000[41]

The result was that the price of raw material for ordinary cloth sheeting fell from forty cents a yard in 1815 to eight cents a yard in 1830.

When the family weaver was confronted with the competition of the power-loom, both using the same cotton for the same product, the hand-loom weaver was doomed. Fortunately for this country, the horrible fate which awaited the English hand-loom weavers so eloquently described by Marx[42] was averted in the United States by the circumstance summed up in the trenchant sentence of Clay: "England has too little land, and too many people; America has too much land—for the present population of the country, and wants people."[43]

Besides that, a great deal of this home manufacture was drudge labor performed by some member of a farm household. With the development of the means of transportation and the industrialization of the country each section of the nation applied itself to that form of production which yielded the greatest return for the investment of capital and expenditure of labor.

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[41] Economic Development of the United States—Lippincott, p. 221.

[42] Capital—Marx, Vol. I, pp. 703-27.

[43] Life and Speeches of Henry Clay—Vol. II, p. 125.

TECHNOLOGICAL IMPROVEMENTS FOLLOW INDUSTRIAL SPECIALIZATION

Modern industry takes the method of production as it finds it. Later these methods are refined by the introduction of a central source of power, as with water power and later with steam, for that which is generated by the human frame. With that must come technological improvements to the mechanical frame and working tool of the machine.

In the infancy of industry, science itself does not lay emphasis on the practical application of its discoveries; in fact, its theoreticians frown upon the practical workers who would defile the purity of their high endeavors by contact with the dross of every day existence for everyday people. Therefore at the beginning the great inventions which revolutionized society were invariably the product of the workshop and not of the laboratory; of empirical mechanics, and not of pure scientists.

Technological requirements impel a tremendous re-orientation of the hitherto stagnant life of an agricultural people. Its soul and moving spirit is speed, economy, efficiency. Skilled workers require a modicum of education. Schools are built; factories spring up; mines are opened; the locomotive whistle disturbs the country-side, and with that arouses the somnolent powers of a great but hitherto inert people. The god—or is it the demon—of industry is abroad the land.

INDUSTRIAL CAPITAL DISPLACES THE DOMINANCE OF MERCHANT CAPITAL

Expanding production for a general market brought with it a radical transformation of the internal economy. The merchant up to now had been the dominant factor between the producer and consumer. He bought with one hand and sold with the other. So long as production was carried on by petty handi-craftsmen, the warehouses and commission stores were their only outlet for the surplus after supplying their immediate trade. With the development of technology, the rise of modern industry and the reduction of costs of distribution, the capitalist producer now came on the scene to displace the merchant from his former high position in the productive cycle, and reduce the merchant to the category of a retailer.

In order to effect this transformation credit is necessary. The average producer devotes himself with greater attention to the problems of cost production in turning out his product to meet competition. Experience has taught him that large scale production is more economical per unit. He therefore concentrates upon that particular problem.

Between the time when the raw material enters his plant and he receives the cash for his commodities, his industrial capital is tied up in three phases; first, the money expended for the raw material and accessories pending their working up; secondly, the value of the commodities he turns out, which is made up of expenses for labor, the costs of materials, plus the pro rata depreciation of his plant, plus the average rate of profit and the necessary time while his commodities are awaiting transit to a suitable market; thirdly, he must scan with anxious eye the expedious metamorphosis of his commodity-capital in the final sale which realizes in cash his expended capital through the receipt of the purchase price.

Now there are two important phases of the cycle which the capitalist producer must watch carefully if he is to survive in the competitive market; we assume that as a purchaser he finds no difficulty in getting his supplies of material and labor. He must see that his productive capital is not tied up too long in the process of production; if his competitors take two weeks to turn out a certain product, he cannot dilly-dally four weeks on the same process. Then he must be sure that the return of his invested money is not too long delayed; if his competitors succeed in selling their product in one month, he cannot afford to wait two months, because the sheer tie-up of capital unnecessarily will place him in an awkward competitive position. A host of factors here enter into play which Marx analyzed with scintillating brilliance in volume two of Capital dealing with the vital processes of capitalist circulation. But here we are not concerned with the theoretical aspect of the problem.

From a practical standpoint the early producers during the Expansion Period were men with small resources. As late as 1860 the average amount of capital per establishment was about $7,200, while the average number of men employed was about eight.[44] The great problem of the early producer was to obtain credit during the period of his turn-over, consisting of his working period and time of circulation while he sought to reduce those periods as far as possible.

Hence the feverish haste for internal improvements to facilitate the movement of goods, while at the same time he sought credit from bankers who knew him, and whom he knew, for the funds to replace his tied up capital to carry him over and allow him to maintain the continuity of his productive process. This explains one of the most interesting, yet subtle phases of American history, the otherwise obscure and topsy-turvy banking system which characterized the period from 1791 to 1862.

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[44] Economic History of the United States—Lippincott, p. 226.

RISE OF THE BANKING SYSTEM

The number of banking institutions in the United States were exactly three when Washington was inaugurated, while their total capital amounted to two million dollars. By 1816, the number of banks scattered throughout the country were two hundred and forty-six, with a capital of ninety million dollars.[45] In 1829 the number of banks had increased to three hundred and twenty-nine,[46] while the amount of capital at the command of the entire banking system, including that of the Bank of the United States was almost two hundred million dollars.[47] The vicarious career of country banks particularly is evidenced by the fact that in the year prior to the first general crisis experienced by this country in 1819, three hundred and ninety-two banks were doing business in twenty-three States and Territories, of which number one hundred and thirty-two were in the Southern States but chiefly in the speculative Southwest.[48]

It is evident from these significant figures that the number of banks in the respective states was an indication of the feverish tempo at which speculation and capitalist enterprise was being carried on within their respective territories. The well-established Southern planters and commercial enterprises of South Carolina did not require more than three banks to carry on whatever business came their way, while the up and going industrialism of Pennsylvania required fifty-nine, New York forty-two, and Massachusetts thirty-eight. Kentucky which was then the center of a land boom had fifty-nine banks, most of which suffered disastrously in the crisis of 1819.

DIFFICULTIES OF CLASSICAL HISTORIANS IN ANALYZING THIS PERIOD

Dewey states that it is difficult to form a clear impression about the financial history of the United States during the first twenty years of the Expansion Period because of the complete lack of official reports.[49] The real difficulty lies not in the absence of sufficient data, but in the appreciation of their significance by the classical historian. When one scans the reports of a day's stock transactions in the financial section of a modern newspaper like the New York Times, it is not incumbent upon the student of economics to know all the details of the organizations listed from Abbott Laboratories to Zonite products. From the standpoint of the economic laws that govern capitalist economy, all of them are subject alike to their influence. None of them, for example, could go on operating indefinitely on the basis of realizing in sales only a fraction of the costs of production, though the detailed knowledge of their individual resources would give some idea on how long they could survive under those circumstances. The same holds for the analysis of what is undoubtedly the most obscure period of our history, yet one of the most important, during which there was laid the foundations of American capitalist economy.

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[45] History of Labor in the United States—Commons, Vol. I, p. 101.

[46] Financial History of the United States—Dewey, p. 154.

[47] History of Labor in the United States—Commons, Vol. I, p. 101.

[48] History of the People of the United States—McMaster, Vol. IV, p. 485.

Historians who are untrained in political economy (although how one can undertake to write history without such training passes understanding) are compelled to mull over the facts which are puzzling to themselves and are therefore unimpressive to their reader.

The plodding and unimaginative McMaster gives, as usual, a wealth of details without meaning or significance, save that the local banks were of a wild-cat and dangerous nature,[50] organized chiefly by irresponsible speculators, pandering to unscrupulous business men who were bent upon defrauding their creditors. In his simple way society was divided into three classes: Virtuous Creditors, Dishonest Debtors and the Vicious Classes who ended their careers most properly on potter's field, if they survived the horrors of the dram-shops.[51] One actually must read McMaster to believe this description is not a libel on that writer.

He could not perceive that the transformation of the nation from a subsistence agricultural economy to an industrial capitalist economy had to be accompanied by various derangements and improvisations. Among them was the evolvement of a suitable banking system. The financial structure of the capitalist system is the heart of its reproductive economy, and anything which interferes with the circulation or vitiates its currency is a sin more mortal than any of the ten commandments, even the one which relates to the taking of human life.

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[49] Financial History of the United States—D. R. Dewey, p. 153.

[50] History of the People of the United States—McMaster, Vol. V, pp. 160-5.

[51] History of the People of the United States—McMaster, Vol. IV, p. 530.

Woodward states that perhaps there were not fifty men in the era of Madison and Monroe who had a clear conception of the true function of banking.[52] He could with equal justice say that of the alleged modern financial and currency wizards in a stalemated capitalist economy. Woodward at a loss to do anything with his material, confines himself to the mechanical repetition of the banking abuses of that period, as if that were an isolated and distinctively disreputable story of American financial operations.

J. T. Adams is discreetly silent upon the role of banking in a capitalist economy, and is content to point out the orgy of credit which developed in 1818, while he blames in general terms the United States Bank for not putting a stop to it by the adoption of measures concerning whose specific nature he takes no one into his confidence.[53] The Historical Field Theory does not undertake to devise nostrums for banking ills, but it does put in our hands the means for establishing the significance of those banking operations during that particular period in our history.

FUNCTION OF COMMERCIAL BANKING IN INDUSTRIAL CAPITALISM

Commercial banking as developed under capitalism is intended to facilitate the reconversion of a specific commodity capital into the symbol of universal capital whose substance is hard cash. In a smooth-flowing internal circulation gold and silver function only as ideal money of account; it is sufficient to know that the paper currency is redeemable on demand. That the precious metals are not necessary for inland circulation is observed to-day when such private circulation is interdicted by law, and the mere offer of the valid paper currency is a sufficient gesture to satisfy the legal demand of a creditor. But the problem of the debtor to-day is not rendered any easier by the fact that the paper currency he must tender is a legal discharge for all public and private debts.

To-day, the gold stock has been nationalized. In the period of which we are speaking, a hundred and more years ago, the offer of paper currency was not enough; the creditor reserved at all times the right to demand a certain type of such paper currency whose value in his judgment was as good in metal as the numerals printed on its face.

Commercial banking does not rest only on the lending of money which is the sole property of the bank. Such banking capital at any given time consists of two distinct classes of assets; first the money actually put into the enterprise, including the initial capital, reserves and undivided profits; and secondly, of the deposits made by its customers. If a bank could only lend out the money with which it began, its business would be restricted to within the narrow confines of the medieval money-lender. But the bank is able to create, as it were, deposits by mere bookkeeping entries every time it discounts a bill of exchange or a note in due course.

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[52] A New American History—Woodward, p. 354.

[53] March of Democracy—J. T. Adams, Vol. I, p. 272.

The bill of exchange arises in the course of an ordinary commercial transaction whereby the seller of merchandise is able to transform his claim upon the buyer for cash at a future time by discounting it at the bank. The seller now has in his possession the proceeds of his bill, let us say for a thousand dollars, less the discount. The bank pays out the money with one hand, and credits itself with a thousand dollar asset in the form of a purchased bill with the other. A thousand dollars seems to be miraculously created before its time, which is the due date of the bill. So, too, with a promissory note. The bank takes up a thousand dollar note from its customer, who is credited at the same time with a deposit of a similar amount less the discount.

But here is the vital spark of capitalist economy. Everything works smoothly if both the buyer of merchandise and the maker of the bill realize on their business transactions and are able to take up their paper in time. Experience has shown that only a small portion of a bank's assets need be in cash or prime securities,[54] and that it is quite possible for a bank's discount obligations to equal many times the total of its banking capital.[55]

Curtis says that "the essence of good banking is in making no loans except upon paper that will not shrink." [56] It is like laying down beforehand the qualities one expects from the woman a man expects to make his wife; one generally finds out only after the bargain is concluded and liquidation in either case is a bitter and painful process. No banker in regular course of business will take up paper he knows to be unsound. As to whether or not legitimate commercial paper will fulfill its normal function depends upon a host of circumstances independent of the will of the parties to the transaction.

This is due to the necessity under which every particular commodity labors to transform itself into the general money form, or cash. "It is a basic principle of capitalist production," wrote Marx,

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[54] Economics; Principles and Interpretation—Curtis, p. 399.

[55] Principles of Economics—Seager, pp. 350-1.

[56] Economics; Principles and Interpretation—Curtis, p. 401.

"that the money, as an independent form of value, must stand opposed to commodities, or that exchange value must assume an independent form in money, and this is possible only by making of one definite commodity the material, whose value measures all other commodities, so that it thus becomes the general commodity, the commodity par excellence as distinguished from all other commodities. . . . In times of stringency, when credit shrinks or ceases entirely, money suddenly becomes the only means of payment and the only true existence of absolute value as offset to all other commodities. Hence a universal depreciation of commodities, difficulty or even impossibility of transforming them into money, that is, into their own purely phantastic form. . . . The value of commodities is therefore sacrificed, for the purpose of safeguarding the phantastic and independent existence of this value in money. As money value it is secured only as long as money itself is secure. For the sake of a few millions of money many millions of commodities must therefore be sacrificed. This is inevitable under capitalist production and constitutes one of its beauties." [57]

The Phenomena of Panics and Crises Emerge on the American Scene

ISSUE CONCERNING THE SECOND UNITED STATES BANK

The first periodic crisis in the American industrial cycle did not develop until 1837. The panic of 1819 was of a different nature. J. T. Adams who does not exhibit any familiarity with the economic processes upon which he passes solemn judgment, generalizes upon such panics regardless as to time, circumstances and the nature of the country's historic development. Some come after a war, he writes, and others only a considerable number of years later, when the factors have worked themselves out,[58] but nowhere does he describe just exactly what those factors are and precisely how they operate. That does not prevent him, however, from offering the sagest opinions on how the economy of the nation should operate and prescribing nostrums for its ills.

During the period from 1816 to 1836 the Second United States Bank was the center of bitter controversy engendered by the struggle between the decadent but still powerful merchant capitalist class and that feverishly energetic but thriving upstart, the industrial capitalist class. The support of the latter was drawn, among others, from the large body of land speculators and small property purchasers who financed their operations through the medium of bank advances.

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[57] Capital—Marx, Vol. III, pp. 606-7.

[58] March of Democracy—J. T. Adams, Vol. I, p. 271.

Naturally they opposed a strong, centralized banking system which was splendidly geared for the operations of established commercial concerns, and therefore justly suspicious of the doubtful adventures of capitalist entrepreneurs and small businesses in isolated sections of the country. The United States Bank, a private institution chartered by Congress, had nineteen branches in the principal cities of the nation,[59] but there were ten times that number of communities that felt the need for banking accommodations.

ATTITUDE OF CLAY AND JACKSON

Clay who was a strong defender of a centralized and sound banking system looked forward with the vision of a statesman far ahead of his time. He was compelled by the particular political situation to adopt the position as a defender of the United States Bank where a much inferior man like Jackson grasped the immediate and more popular issue of favoring a decentralized banking system. When Clay boasted of the integrity of the Bank's notes accepted unquestioningly in the remotest quarter of the globe where American commerce had penetrated,[60] he spoke truly of a banking system geared to the requirements of American commercial capitalism up to 1812 and of American industrial capitalism when it became firmly entrenched after 1865. But during the greater part of the Expansion Period what the country needed, and insisted upon getting, no matter at what cost, was a free and easy banking system where the common people made money and lost money, but had an opportunity to make it all over again in a new and thriving country.

CAUSES OF THE CRISIS IN 1819

The crisis of 1819 was due in the East to the over-importation of British goods after the war, and in the West and South to over-extension in land speculations. Cotton planters who purchased acreage at three hundred dollars an acre were compelled to unload at twenty, as a result of the ensuing stringency, while slaves bought at a thousand dollars during the peak times were unsalable at three hundred.[61]

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[59] March of Democracy—J. T. Adams, Vol. I, p. 272.

[60] Clay on the Sub-Treasury—Speeches, Vol. II, p. 258 (ed. 1843).

Under these circumstances the cry of the debtor was heard throughout the land. Paper money became inconvertible and worthless. Cash could not be had. Time was of the essence, anything just to tide over the storm and avert bankruptcy. Resort was to other emissions of paper money secured by other solemn pledges which met again with the inevitable consequences of depreciation or the disaster of inconvertibility. Recourse in the last extremity was had to stay laws, whereby the creditor was prevented from pursuing his remedy by attaching the property of the debtor.

In Kentucky particularly this issue was the cause of a minor political revolution. The State Court ruled these stay laws unconstitutional. An effort was made by the Legislature to remove the judges, and failing that, to reduce their salaries to twenty-five cents a year.[62] Finally a bill was passed repealing the statute under which the State Court of Appeals was created. Later a new court, called the People's Court of Appeals was established. After years of political turmoil between the champions of the Old Court and the New Court, the supporters of the conservative faction were victorious and the old court was reconstituted.

INHUMAN TREATMENT OF DEBTORS

Congress had adopted a bankruptcy law in 1800, but after eighteen months the powerful Federalist group secured its repeal. It was still the fashion to employ toward debtors the principle of the Draconian Law which made the body of the debtor to incarnate the realization of the creditor's claim.

According to that theory the poor man borrowed upon the credit of his body, and in case of default, his body became the property of the creditor. That was the legal principle in effect before Solon's reforms whereby Greeks reduced fellow Greeks to actual slavery.[63] In the United States debtors were flung into prison, where during 1816 two thousand languished in New York City alone.[64] The present generation which reacts with horror to the thought of debtors being imprisoned, not for criminal conversion of property, but for the crime of being poor, may perhaps indulge the thought that it was a temporary aberration of the time, like the Salem witch burnings. Unfortunately for that consoling reflection, such imprisonment was a settled social policy.

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[61] History of the People of the United States—McMaster, Vol. V, p. 170.

[62] History of the People of the United States—McMaster, Vol. V, pp. 162-5.

[63] History of Greece—Grote, Vol. III, pp. 95-6.

[64] History of the People of the United States—McMaster, Vol. IV, p. 534.

McMaster who rarely exhibits generous pro-social instincts in his writings—as if a scientist is precluded by the laws of his particular inquiry from the genuine reactions of humanity!—is entitled to warmest praise for the indignation he expresses over the fate of unfortunate debtors during the first fifty years of our Republic. In 1833, he states, no less than seventy-five thousand persons were sent to jail for debt. Ten thousand were so confined in New York, seven thousand in Pennsylvania, and three thousand each in Massachusetts and Maryland. In Philadelphia eighty of those imprisoned at one time owed less than one dollar.[65]

The issue so valiantly supported by the Kentucky Old Court was embodied in the legal principle enunciated by the United States Supreme Court which held in the case of Sturges vs. Crowninshield that no State stay law could be valid because it was in opposition to the provision against the impairment of the obligations of contract.[66] The particular issue there involved is to-day only of academic interest since the passage by Congress of national bankruptcy legislation under the specific power granted to it by the Constitution under Article One, Section Eight. The general surrender of his property by the debtor without collusion or preference are the equitable principles upon which it is based.

It was a hard and bitter struggle for the rising petty middle class to embody that into law against the surviving traditions of merchant capitalism so grimly depicted in Shakespeare's Merchant of Venice. Wrote Boudin: "The result of the decision in Sturges vs. Crowninshield was the impossibility of the enactment of any relief legislation by the States; and since relief was needed and was loudly demanded by nearly all the states with the exception of New England, we have here the economic situation which resulted in the political struggle which was known locally in Kentucky as the 'Old Court-New Court' Controversy, and then, nationally, as the Rise of Jacksonian Democracy." [67] We have no objection to Boudin's underlining of the economic situation, for to the Historical Field Theory the economic factor is but one of three fundamental factors operating within the divisions of the social structure.

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[65] Ibid., Vol. VI, p. 99.

[66] Government by Judiciary—Boudin, Vol. I, p. 330.

[67] Government by Judiciary—Boudin, Vol. I, p. 334.

EVIDENCE OF GROWING POLITICAL CONSCIOUSNESS OF FARMERS AND WORKERS

Significant of the tremendous social transformation then developing in the United States is the fact that in 1819 representatives of the manufacturers, workers and farmers of nine states assembled in New York, to urge remedial legislation on Congress in order to counter-act the effects of the depression.[68] Manufacturers complained of the disastrous decline in prices; labor suffered by unemployment, while farmers were deprived of a home market for their produce, the only cash market then existing. The specter of industrial unemployment for the first time exhibited itself here as the ordinary by-product of the capitalist system. The historical importance of this convention rests upon the fact that these economic categories thus early felt the common tie which bound them together in a domestic economy based on the system of commodity exchange.

For the worker, too, has a commodity to sell, his labor power. With the specialization of commodity production and the rise of the industrial system, the worker had to devote himself exclusively to a definite task. The old subsistence farm mode of life was ended for this new class whose social origin was in the farms of the surrounding countryside. Immigration had not yet set in to flood the labor market.[69] The industrial entrepreneur was now producing for a general market; the farmer depended more and more on his cash crop for those necessities and little luxuries which heretofore had been produced in his own household, if at all. The laborer found it incumbent for his existence to seek for consummation of his particular transaction, the sale of his labor power for wages, in order to obtain the income necessary for his maintenance and that of his family.

All unknown to the principals at that convention, they were enacting the first act of an historic economic drama during crisis which has not yet come to its concluding scene to this day. Modern capitalism is based upon the all-impelling necessity of producers of commodities to exchange them for those which they in turn require for their own existence. The mere act of exchange does not thereby establish the capitalist system. Men have exchanged their possessions or their products long before the capitalist system historically came into existence.

The primitive hunter and the primitive fisherman doubtless exchanged their yield with one another without thereby becoming capitalist producers concerned about value, price, cost of production and all the other vital considerations which inhere to an act of exchange conducted on the basis of the laws of capitalist economy. It was this failure on the part of Ricardo to differentiate between different forms of social organization which vitiates his otherwise excellent analysis of the law of value.[70]

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[68] History of the United States—Hildreth, Vol. VI, p. 682.

[69] History of the United States—Hildreth, Vol. VI, p. 677.

Colonists long ago exchanged their products and sold their surpluses without thereby becoming capitalists. It is only to the extent that such production for exchange becomes the dominant mode of production that all the inherent laws of capitalist economy make themselves felt. To characterize capitalist economy as an "exchange economy" as do modern writers like Studenski,[71] is to lose sight of the immanent laws of capitalist production which assert themselves like some over-riding law of nature in the all-important process of exchange. Capitalism does not produce merely to exchange. If that were the case, there would never be unemployment and never a plethora of useful articles or services which cannot perform that all essential transformation of exchange from owners to users.

THE NATURE OF EXPANDING INDUSTRIAL CAPITALIST ECONOMY

Capitalism produces only for a profit, which is realized in the process of exchange. The secret of the process whereby the profit, or increment of value above the original values with which the productive process began, is a problem which is far beyond the intellectual range of the general babbler upon the "profit system" in books, the lecture room or the political platform.

We are not at present concerned with this problem. All that we desire to emphasize is that early in the career of American capitalism we see emerging the problems which have beset it to this day irrespective of the political party in power or the personal idiosyncrasies of its temporal leadership. The industrialist, the farmer and the worker were on hand at that New York conference in 1819 with their particular complaints. The cotton planter was not represented because he had problems of his own which we shall discuss later on.

Industrialism on a capitalist basis must develop the polar relations which are the basis of its economy; on the one hand the owners of the means of production, on the other the sellers of labor power for wages. The conditions of employment when labor is for hire become a matter of bitter dispute between the contracting parties. Under the beautiful common-law theory developed out of a mode of production characteristic of the Middle Ages, the contracting parties were assumed to meet on a footing of perfect equality; the capitalist producer who actually could hire at his own sweet will, and the wage worker who was free to work or not upon the terms offered, but who actually was driven on by hunger and want at home.

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[70] Principles of Political Economy and Taxation—Ricardo, Ch. I, pp. 6, 15, 16, 17.

[71] The Economic Foundations of Business—Spahr and Others; article by Studenski, Vol. II, p. 400; also Vol. I, pp. 56-8.

When the workers did venture to combine in order to prevent their bidding against themselves, they were promptly prosecuted under the common-law doctrine of criminal conspiracy and combination in restraint of trade. In 1806 a prosecution of workingmen actually was undertaken on those grounds in the case of Philadelphia shoemakers who combined to raise their wages. The Aurora, a virulent Jeffersonian organ of that time took up the cudgels in behalf of the workers, while the Federalist judiciary ruled consistently for the employers.

In a manifesto by the shoemakers published in its columns the workers state in language strangely familiar to modern ears: "The master shoemakers, as they are called after the slavish style of Europe, but who are only the retailers of our labor, and who in truth live upon the work of our hands, are generally men of large property, to whom the suspension of business, though it is a loss, is not so great a loss as the total suspension of the means of subsistence, is to us who obtain our income from week to week." [72] This manifesto appeared some forty-one years before the Communist Manifesto, and twelve years before Marx was born, for the information of those who see in those fiery sentences the hand of the Communist International and the influence of the Marxian doctrine.

ORIGIN OF CLASS CONFLICTS WITHIN THE SOCIAL STRUCTURE

It is the conditions of capitalist economy which produced that doctrine, and not the other way around. The class struggle is not a Marxian invention, but its philosophy is as American as were the Philadelphia workers who first proclaimed it and the Jefferson Democrats who supported them. It is the relations of production, not foreign agitators, that produced the class division.

So, too, with the problem of the hours of labor. No better illustration of the correctness of our thesis that capitalism does not invent, but merely takes over the processes of production as it finds them is seen in the primitive tools of mechanics with which they labor in the employer's establishment from sunrise to sunset, just as does the laborer on the farm. Those were the traditional hours of employment, except that in the lexicon of the industrial employer's dictionary all the days of the seasons of the year were as long as the longest day in June.

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[72] Quoted by Commons in his History of Labor in the United States, Vol. I, pp. 141-2.

In 1791 a group of Philadelphia workers met and adopted a resolution that the normal working day should be from six in the morning to six at night, with an hour off each for breakfast and dinner.[73] Thus was born the ten hour movement. It required almost fifty years of unremitting effort on the part of the workers to realize that aim.

Even the philistine McMaster concedes that during that period the workers did not share justly in the wealth which their labor was creating.[74] How distinctly modern is the fiendish hypocrisy of those sky-sniffing employer-moralists who protest to high heaven the virtue of their resolve to keep the workers locked up in the seclusion of their factories, not—God forfend!—for the selfish purpose of wringing extra labor and profits out of their hides, but to keep them from the demoralizing influences to which Satan sets idle hands.[75]

BEGINNING OF INDUSTRIAL UNEMPLOYMENT, WOMAN AND CHILD LABOR

But those same employers did not scruple to turn these unregenerated objects of their fraternal solicitude out-of-doors for good and all when it was in their interests to do so. When their labor was no longer profitable, as in the depression following the crisis of 1819, the doors of morality were slammed in their faces, let the devil do what he may. Of course all these virtuous protestations and appeals to eternal legal principles are a convenient disguise for the real business at hand, the desire of the purchaser of labor power to get that commodity upon the best possible terms for himself, and of the worker to realize for his commodity the highest possible price, under conditions most conducive to his immediate well-being and future welfare.

During that crisis twenty thousand workers walked the streets of Philadelphia; a like number searched for work unavailingly in

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[73] History of the People of the United States—McMaster, Vol. V, p. 84.

[74] Ibid., Vol. V, p. 85.

[75] History of Labor in the United States—Commons, Vol. I, pp. 159-60.

New York, while half that number were unemployed in Baltimore.[76]

The infancy of an industry under capitalist auspices even as far as the second decade of the twentieth century witnesses the combination of the merchant and industrial capitalist who invades the production field. This is generally accompanied by home work and subcontracting under the horrible conditions known as sweated labor.[77] It is only when the introduction of machinery reduces the cost of production to the point where even that type of labor can no longer compete that the home ceases to be a factory.

By the same token sweated labor hinders the introduction of labor-saving devices, and it is only when decisive technological advances are made that such vampire production is finally overthrown. Then come the horde of social workers and lachrymose philanthropists who complete the process by social legislation which mops up the remnants of that bestial type of human exploitation.

Employers substituted wherever they could women workers for their husbands and sons, when male adult labor cost six dollars a week while women workers earned two dollars and fifty cents, and seamstresses working at home made the munificent sum of one dollar and twenty-five cents per week. Lest some noble Darwinian-minded capitalist apologist pucker up his brow and fling off the sententious phrase of the survival of the fittest, or assert that the lazy and shiftless workers received only the just measure of their worth, we have it on good authority that those princely wages were earned by women at piece work sewing pants for four cents a pair and a shirt for seven cents apiece and only by most unremitting labor could such exorbitant wages be earned.[78]

Not content with invading the sacred precincts of the home—the very home which labor radicals were charged with attempting to break up—the hands of little children were put to labor by the all-consuming Moloch of capitalist greed. If contemptible apologists for the capitalist system will hide behind the superior brains and ability of the owners of capital, it was only by the unremitting labor, the sweat and tears of men and women and children[79] that the foundations of many a princely industrial fortune was laid.[80]

Let none add the accusation of shiftlessness to the fathers and mothers of the early American-born working class. Under the guise of apprenticeship stretched over a period of five to seven years, the labor of fathers competed with that of their sons, while the daughters under the genteel excuse of earning pin-money worked themselves into stunted bodies and diseased constitutions, reducing the wages of the rest, so that the unremitting toil of the whole family was required to earn sustenance for the household. Nor did capitalist greed cavil at exploiting the unfortunates and outcasts of society in the prisons whom they again victimized by subjecting them to labor for their account on products which competed with those of free labor.[81]

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[76] History of Labor in the United States—Commons, Vol. I, p. 135.

[77] Ibid., Vol. I, p. 338. [78] Ibid., Vol. I, pp. 354-5. [79] Ibid., Vol. I, p. 339.

[80] History of People of the United States—McMaster, Vol. V, p. 360.

RUTHLESS EXPLOITATION OF LABOR RESULTS IN RECOURSE TO POLITICAL ACTION

Labor's exploitation did not end there. The cost of living was steadily rising, while wages remained stationary. Where in the old days the head of the household prided himself upon providing for those under his roof, to-day the labor of all its inmates was required for the sustenance once provided by the labor of one. For example, flour rose from five dollars a barrel in 1834 to twelve dollars in 1837; mess pork from thirteen dollars to thirty, sheeting from eight cents a yard to twelve.[82] A great deal of this was due to the miserable banking system with its plethora of paper money, as well as the crisis and depression which characterized that time. It is a convenient salve to some consciences to say that the workers did not have to stand for it; that the country was young, undeveloped and open to all. Not every family can uproot itself, nor does its failure to do so justify their ruthless exploitation.

All this is said not in a spirit of moralizing against the industrial tactics of employers at that time, but rather for that horde of apologists who now infest our institutions of learning, who write our textbooks and play so large a role in our organs for moulding public opinion on lecture platform, the editorial page and the pulpit.

Labor did protest against those conditions at that time, not at the instigation of paid propagandists of an alien doctrine, but led to do so by the very best of motives, the desire to conserve themselves and their families, many of whose fathers had struggled to establish this Republic, while others had fought to vindicate its honor in the War of 1812.

Labor parties sprang up spontaneously in the industrial centers of the Atlantic seaboard. In New York particularly, the organized political workingmen played an effective role in achieving success for the Jackson Democracy with which they were allied.[83]

[81] History of the People of the United States—McMaster, Vol. V, pp. 173-4.

[82] Ibid., vol. V, p. 348.

[83] History of Labor in the United States—Commons, Vol. I, p. 198.

The intelligent industrial worker feels instinctively that he is the carrier of the seed of social progress. Workers have been and still are identified with reactionary political forces. But no one can point to any substantial and long-sustained movement in our history rooted in the masses from factory or mine which did not uphold a progressive principle and a lofty social ideal. Many of their panaceas were faulty but no one can question the noble idealism of their endeavors. The masses are yet the unspoiled children of history.

It is not surprising, therefore, that high on the banners of labor in those days were inscribed the demands for equal manhood suffrage, for the abolition of imprisonment for debt, for free general education, for reduction of hours of labor for women and children, for the break-up of vast landed estates as in New York and elsewhere, and for the democratization of finance by the break-up of the monopoly of the Bank of the United States. While the masses could not be expected to gauge with pedantic accuracy the tendencies of historical development, yet their sound common sense and genuine nobility of soul led them to demand thus prematurely what became in one way or another the established policy of future generations of Americans.

APOLOGETICS FOR POVERTY AS THE REWARD OF PRODUCTIVE LABOR

Apologists for the capitalist system pass off the abundance of wealth on one hand contrasting with direst poverty of its producers on the other, with the sententious remark that the poor we will always have with us. Our criticism is directed not against poverty, but against the social conditions which make that inevitable for the great majority of the most industrious members of our population. Poverty, too, is a relative term. These same apologists love to point out that the poorest among us enjoy conveniences which were denied to Louis XIV. Poverty must be considered in relation to the social conditions of a specific period, and grinding, involuntary poverty on the part of the industrial working class made its existence known early in the period of our industrial revolution.

Nothing is more disgusting to modern ears and eyes than the unctuous phraseology of the fish-blooded McMaster, a man who lived up to 1932, but who possessed the ideology of one whose intellectual and emotional reactions had stopped developing since his college days, when he writes of the Expansion Period with its "horde of children growing up as outcasts in the slums . . . cared for by no one, neglected by parents who were too indifferent, too intemperate, or too poor to even seek to give them an education, growing up in the densest ignorance, a prey to every vice." [84] What mealy-mouthed phraseology from an unctuous hypocrite!

To those of us who were brought up in working class families, the paternal instincts of proletarian fathers and mothers is not one whit less refined, and in many respects far more wholesome, than those exhibited by the so-called upper and aristocratic classes. It is we who received the last crust of bread and the warmest blanket in the heatless tenement. Watered down skimmed milk was only for us; proletarian parents knew how to get along without that luxury. The hard-bitten dollars saved up dime by dime were spent for our shoes and for a pair of pants when the old ones could no longer hold additional patching. With tear-dimmed eyes our mothers would tip-toe in to count the heads of her little chicks to make certain for the tenth time that all were safely tucked away, before she would retire with heart full of anxiety for the meals which must somehow be provided the following day from an empty cup-board.

Well do we remember our fathers whose care-worn faces and bent backs belied their age. We children seldom saw him when he was employed, for he rose when it was still dark, and returned long after the sun had set. Upon the sacred Sabbath he would take us dressed out in our best, with shoes sparkling from the stove polish used for the old coal stove when there was coal to warm a single room of the tenement flat.

There in the house of God he was a man transformed. His face lighted up with a smile that looked so kind, and so unnatural, from the creased care which was always there. Those dull, sombre, pensive eyes to which we were accustomed now shone with a peculiar and penetrating brilliance. During pauses in the services he would explain to us the occult meaning of Biblical passages. With his fellow worshippers he would engage in what impressed us as tremendously profound discussions on theological niceties. Here within the sacred precincts of God's house he seemed to free himself from the economic bondage in which he was held, to realize the glory and the dignity of his manhood.

Such were our working class fathers, and their fathers before them, and it lies not in the mouth of any apologist for the existing system to impugn their character and sense of social obligations. The noblest fighters for a better social order for all mankind came from the ranks of those who were denied all but one aperture upon the world of which they were a part, but who were inspired by the determination that their children, and the children of all mankind, should be given the fullest opportunity to realize the glorious possibilities of their species.

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[84] History of the People of the United States—McMaster, Vol. V, pp. 354-5.

DREAD OF CRISES AND UNEMPLOYMENT INHERENT IN MODERN CAPITALISM

Unemployment is the most dreaded curse of the industrial worker. His mind, his body, every muscle and nerve of his being is trained to the performance of a certain task. He is not the master of his destiny. He must find a purchaser for his labor power. Modern industry makes it impossible for the worker to own his means of production. The laws which regulate the production and exchange of commodities are beyond his control.

Upon a fatal day he is told that there is no more work for him. The employer is human. He knows what it means for the average worker—whose wages at best are barely enough to meet the requirements of his family—to be laid off for an extended period. But he himself is helpless. When there are no orders, or his goods cannot be sold at a fair profit, he has no alternative but to close down and conserve his resources. Crises and depressions are often as ruinous for him as they are disastrous to his workers. Of course, there are manipulators within the economic system who profit by juggling credit and finance, and who thrive upon the misfortunes of the world at large. But the industrial capitalist as such, is just as much a victim of their machinations as are the humblest of his employees.

Crises and unemployment—these are the twin evil products of the capitalist system which made their appearance at the very beginning of its inauguration in the economy of the young Republic. We shall meet with these phenomena again later on. We shall discuss the theories and panaceas of political and economic illiterates from those days up to now. But regardless of how we may differ concerning their causes, no one will deny their factual existence nor their calamitous consequences upon the body politic as a whole.

If our present-day anti-New Dealers were as industrious in the study of American history as they are in the pursuit of their personal fortunes, they would know that unemployment relief by governmental intervention is as old as unemployment itself. We observed that when the social revolution appeared in England during Elizabeth's regime, upon the enclosure of the commons and before manufactures were established, the countryside was filled with wandering bands of the homeless and dispossessed. Some of her magistrates indulged their amiable disposition at solution of the problem by hanging the vagabonds,[85] but unfortunately not all could thus be shunted off to meet their Maker in a better world.

Many of them survived despite the severest legislation for their repression,[86] until Elizabeth was compelled to institute the system of parish relief for the poor. Public works were established, and W.P.A. methods were resorted to without that opprobrious name—to some minds—being known. The best and most substantial citizens of our Republic, as those attributes are generally measured, advocated in 1820 the extension of internal improvements and loans by governmental agencies as a means of alleviating distress, since the distressed could not otherwise be conveniently liquidated.[87]

[85] History of the English People—Green, Vol. II, p. 368.
[86] Capital—Marx, Vol. I, pp. 805-8.
[87] History of the People of the United States—McMaster, Vol. IV, p. 495.

CHAPTER XI

Our Expanding Democratic Institutions

FEAR OF DEMOCRACY BY THE FOUNDING FATHERS

MEANWHILE that inchoate, amorphous mass, The People, in whose name and by virtue of whose authority the Second Continental Congress did ordain and establish these United States of America—the people were gradually emerging from the historical background to impress the importance of the individual rather than their mass status on the new world which their labor had created, and the new form of government which their courage had established, sustained and preserved for the generations to come.

This Republic did not spring forth a fully accoutered democracy. Writing of the Constitutional Convention Beard says that it was the almost unanimous opinion of the delegates that democracy was synonymous with anarchy; that it was a dangerous and insidious power which must be given as little rein as possible, and even that should be carefully surrounded by checks and balances where property would have the preponderant power over mere aggregates of people.[1]

Madison in the forty-eighth article of The Federalist agreed to the technical checks and balances of the three departments of government because he frankly recognized the tendency of republics constituted as ours toward the aggrandizement of the legislative arm more directly controlled by the people.[2] Our Republic was by no means a democracy, and it was not the intention of its founders to make it so. Madison drew a theoretical distinction between a pure democracy and a republican or representative form of government [3] which that clever adaptor, Hamilton, quickly employed for his own purposes, to enlarge upon the cumbersome and impractical nature of a town hall form of government for a country of the Republic's existing dimensions and future prospects of enlargement.[4] Of course the analogy was ridiculous, and history soon proved it to be so, even in Hamilton's own too-brief lifetime.

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[1] Rise of American Civilization—Beard, Vol. I, pp. 315-6.

[2] The Federalist—Article by Madison, p. 279.

[3] Ibid., Article X by Madison, p. 48.

Democracy does not mean that every farmer and tinker and factory worker is to rush to the central meeting place every half hour to vote on the laws for the Republic. It simply means that the masses of the adult population shall have the power to choose their representatives, and remove those who are set in authority over them when they are no longer in agreement concerning the intelligent and effective exercise of that power as against its purely formal aspect. But before we can even argue about its intelligent exercise, the direct power of the people over their government must first exist or be created. That was not the case in the original Constitution, and it was not the fact in the original grant of suffrage by the states.

Far into the first third of the nineteenth century great numbers of the adult native-born whites on the Atlantic seaboard were still disfranchised. Tremendous social influences nevertheless were at work to make this Republic a democracy in fact as well as in the formal Fourth of July declamations.

Among them were the invidious influences of example, in the eyes of the stand-patters. There was something incongruous in two self-respecting and amicable neighbors, one of whom could vote because he just came in under the property qualifications, while the other was excluded from the polling place. Politicians in a Republic are ever on the look-out for votes, and there is no doubt that the value of property, personal and real, was exaggerated in order to make one qualify, until the spirit of the law was submerged despite apparent concern for the letter.

DIVERSE FORCES MAKING FOR SPREAD OF SUFFRAGE TO LARGER MASSES

Each State was entitled to set up the qualifications of its electors. Vermont came into the Union with full manhood suffrage in 1791, while Delaware gave the ballot to all citizens who paid taxes no matter how small.[5] Maryland adopted manhood suffrage in 1809. The success of Jeffersonian Democrats had spurred its workers on to press for electoral reforms since its greatest strength in the East was in the centers of population. The fiasco of the Federalist Party after the War of 1812 emboldened them to greater efforts and finally in 1818 a liberal constitution was adopted by a referendum of the people of Maryland.

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[4] Ibid., Articles LI and LXII, pp. 290 and 349, by Hamilton.

[5] The Rise of American Civilization—Beard, Vol. I, p. 543.

Farrand points out the anomalous factors which contribute to progress by the fact that in Connecticut at that time quite a feud existed between the Federalist Congregational hierarchy and the dissenting Baptists and Methodists, both of which sects united with the popular forces to end the Congregationalists' political control of the State.[6] Massachusetts, Maine, New York and Virginia succumbed in turn to the wave of democratic influences which swept the country after the War of 1812.[7]

But these are only the bare facts; of preponderant importance are the social forces in American history which brought these facts into existence. Unfortunately we cannot content ourselves with such sonorous generalizations as satisfy Denison when he declares that "the history of America is a great drama not of the ephemeral struggles of individuals, but of the titanic conflicts of streams of feeling that endure for centuries, armed with prejudice and entrenched in logic, a drama in which the hero and protagonist is that stream of feeling that originated with the free men of old England and their love of liberty and justice, their hatred of tyranny and privilege." [8] The author of this emotional interpretation of history would be hard pressed to support his thesis concerning England, for every fact of its development proves that its ancient parliamentary development began to assume a democratic aspect only in the latter part of the nineteenth century, a process which has not yet fully achieved its purposes to this day.

McCarthy explains that the great English constitutional reforms at about the time of which we write were far behind the American, because whereas the American constitutional changes of the first third of the nineteenth century enfranchised all adult white male citizens, Disraeli in England was seeking to extend the ballot to those of the working class who owned ten pounds of British government bonds.[9]

The spirit of popular democracy was really of American origin, and at the time when England was engaged in abolishing her preposterous Rotten Borough system, free and equal manhood suffrage with representation on a fair population basis was already the fact in the greater part of the United States.

It is of tremendous historical importance to point out that the

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[6] Development of the United States—Farrand, p. 150.

[7] Ibid., p. 151.

[8] Emotional Currents in American History—Denison (1932), p. 21.

[9] A History of Our Times—McCarthy, Vol. II, p. 161.

English working class through their revolutionary Chartist movement was the spearhead of the social elements which compelled that country's electoral reforms.[10] Not until 1867 were the English town workers fully represented in England, and it required another twenty years before the agricultural workers were placed on an equal parliamentary footing with the squire of the manor. Again thirty years more had to elapse until in 1911 the English people destroyed the power of the peerage to negative bills adopted by the Commons.[11]

Democracy became the dominant political philosophy in England not as a free gift of the lineal or spiritual descendants of the embattled baronage at Runnymede, but rather by the continuous pressure of the submerged classes, as exemplified by the bourgeois victory in 1688, and two centuries later by the constant and unremitting pressure of the industrial and agricultural proletariat upon both the Whigs and the Tories, the Liberals and the Conservatives.[12]

FUNCTION OF POLITICAL PARTIES IN A DEMOCRACY

Sargent states that the opposition of the Federalist Party to the War of 1812 was the cause of its disintegration.[13] That is the wisdom after the event; nor does it tell the complete story. Parties have survived not only opposition to war, but even when large sections of its members and leaders were in open and armed rebellion against the Union. Stable political parties are not the result of effervescent whims or temporary issues. Those parties whose origin is enveloped in personal ambitions or temporary issues soon disappear with the passing of their leaders from the mortal scene, if not sooner.

Political parties, if they are to survive, must give expression to some deep-running current in contemporary life. If they did not exist in a democracy, they would have to be created. The Federalist party represented the stable, dominant property interests of their time. At first the wealthy men of both North and South were the backbone of its leadership and support. Later on the semi-colonial South—the simple staple producers of cotton and tobacco for Europe—broke away from the policy of a strong central government which the rich merchant and moneyed class of the North required for their system of economy. Thus we saw the peculiar alliance between the slave-holding Southern patricians with the plebeians of the big cities and towns in support of Jefferson's Democratic-Republicans.

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[10] History of Our Times—McCarthy, Vol. I, pp. 84-8.

[11] The Evolution of Parliament—Pollard, pp. 339-40.

[12] A History of English Liberalism—Blease, pp. 147, 350.

[13] Public Men and Events—Sargent, Vol. I, p. 18.

Farrand is of the opinion that the Federalist Party had outlived its usefulness because the Democratic-Republicans found themselves obliged by the force of circumstances to adopt a broad construction of the Constitution, and thus the reason for its existence had passed away.[14] That is a rather naive conception of political parties. If rules of logic or devotion to principles were the decisive criterion for their existence it would seem that the Federalists ought to have absorbed the Democrats and not the other way around. In our own lifetime we have observed the evolution of the Democratic Party to a protective tariff policy for the growing industry of the South, rather than the concomitant growth of the Republican Party in that section of the country. In a democracy where votes are the talisman for power, political parties through their astute leaders are very keen to adapt their program toward a course which holds out the best promise for their continuance in power.

But there are limitations, not so much to their readiness for adaptation, but as to practice. No political party can go contrary to the interests of the groups which they represent, and survive. Not that their leadership scruples over-much about throwing alleged eternal principles overboard; but the class which gives sustenance to the party certainly will not consent to the betrayal of its interests, and still continue to finance the elaborate political machinery. If the class goes down, the party goes down with it. And that exactly was the case with the Federalist Party representing commercial capitalism.

No party can outlive its historic role, for despite the best intentions of political manipulators to modify its program to the times, the accumulated traditions of its history will damn such chameleon-like changes in the public mind.

True, the public is not over-fine in making subtle distinctions between men and events, but the very rigidity of its channeled thinking prevents it from endowing the over-night convert with the essential virtue of sincerity. And in American politics, the public has not, despite its surface sophistication, reconciled itself to the subtleties of Machiavellianism when too obviously practiced by those in whom it has reposed confidence.

The Republican Party in the City of New York, for example, would make even a sorrier spectacle at the polls were its well-known local leaders suddenly to branch out as the stalwart champions of labor unionism, the Wages and Hours Act, and all the other paraphernalia of the New Deal. The Republican candidate for the Presidency in 1940, Wendell L. Willkie, suffered a tremendous letdown in his campaign when he flirted in his acceptance speech with the constructive aspects of the New Deal. It was only when he made a right-about-face again on this fundamental issue that entrenched wealth rushed to his support. The Federalist Party passed out of the political picture after the War of 1812 because the class basis of that party had ceased to play a preponderant role in American history, and that class was the large commercial and merchant capitalist interests of its day.

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[14] Developments of the United States—Farrand, p. 152.

CONTRIBUTION OF THE FEDERALIST PARTY TO AMERICAN PROGRESS

Before we write finis to the Federalist Party record, the scientific historian must express an appropriate valedictory. The Federalist Party had performed a mighty role in the establishment of the Republic and in the guidance of its destinies during the trying and uncertain period of its infancy. In the chaos which resulted after the victorious Revolution, during the regime of the Articles of Confederation, its far-sighted statesmanship in both the North and South saw the necessity of supplanting the loosely-held combination of state sovereignties into a closely-knit Federal Union. This leadership guided the Republic with infinite labor through the shoals of the Constitutional Convention and the myriad problems connected with the ratification of its plan of government.

This same leadership was at the helm during the stormy days of the first decade of the inauguration of the Republic under the New Roof. As conditions developed the commercial and moneyed interests of the North became, if not the most virile and active elements within the body politic, certainly the most powerful. But it was the fate of the Federalist party to be born at a time when the industrial revolution was developing within the national economy. The semi-colonial Southern aristocracy broke away from its temporary political ties with the commercial North. The North itself was split between the conflicting interests of the commercial, the industrial and the financial segments of the rising capitalist class who were factors represented within the frame-work of the Federalist Party organization.

Through the inertia of tradition and prestige the commercial elements remained in control, and it was they who palsied the hand of the Federal Government during the trying years immediately before and during the War of 1812. The Hartford Convention which this party engineered was its last and most fatal step. The party would have disintegrated without the commission of this egregious political blunder, because the commercial class was on its way out as the dominant factor in New England and the Middle States, while the industrial capitalist class had not yet reached a commanding position in the affairs of that section.

That is why New England for thirty years wavered between free trade and protection until finally its own economic development dictated its political philosophy. It was during this period of uncertainty that New England relapsed into that social, cultural and spiritual sloth which brought forth the bitter comment of Emerson that nothing worth while had been said, or written, or done in New England for over fifty years since the founding of the Republic. When finally its course was set with industrialism firmly entrenched, we will find New England once more enacting a tremendous role as of yore on the stage of American history.

MARKING TIME UNDER A SINGLE PARTY SYSTEM

Monroe's administrations between 1817 and 1825 are referred to as the Era of Good Feelings because of the absence of party division. The Federalists had been so badly defeated by Monroe in his first election, that no opposition was offered to his re-election. The fable is repeated by historians that Monroe failed to receive the unanimous electoral vote for his second term because of one elector's sentimental resolve that no President but Washington shall have the honor of a total vote.[15]

However appealing the story might be, it seems that indomitable research has established the fact that the elector involved deliberately cast his vote for John Quincy Adams not because of such high-minded resolve as alleged, but as a result of a carefully matured plan to draw attention to Adams as a candidate for the Presidency in 1824.[16] Of course, the point is inconsequential for our purpose. It is more important to state, as Hildreth concludes, that "while old party distinctions had thus disappeared, no new ones, as yet, had been definitely formed, and Monroe, having done nothing to provoke any special opposition was considered as having a sort of vested right to a re-election." [17]

American society was then in an extraordinary fluid state beyond the cotton belt. Democratic forces were then making themselves felt everywhere. Jackson who had good reason to feel that he had been

[15] Development of the United States—Farrand, p. 153.

[16] Everett S. Brown in a letter published in the New York Times March 29, 1940, offering what appears to be convincing evidence to support this contention.

[17] History of the United States—Hildreth, Vol. VI, pp. 701-2.

unjustly dealt with when a combination of political leaders kept him out of the White House in 1824 began to organize his forces for the following campaign four years ahead of time. It was a campaign of personalities and not of principles, for principles are developed out of concrete historical situations and not by the burning ambitions or clever mouthings of politicians. Jackson was a Democrat in revolt against his party because the inner party caucus leaders had previously combined to encompass his defeat.

Adams had been victorious because Clay delivered to him his supporters in a Congressional alliance which had passed over Jackson's superior claims. For this the Tennessean bore Clay a fierce and implacable hatred.[18] The issue in 1828 was not the Congressional Caucus versus Democracy, but Adams and his allies against Jackson and his allies.

From this apparently fortuitous circumstance our political party system was born. That such fruitful consequences could result from the clash of personal ambitions may be a satisfactory explanation for our classical historians,[19] but the political party system to which it gave rise and the more democratic processes whereby candidates for Chief Executive were to be selected and elected, were developments far beyond the intentions of its inaugurators.

ANTI-DEMOCRATIC PURPOSE OF THE ELECTORAL COLLEGE

According to the purpose of the Constitutional Founders, the Electoral College was to consist of the most honorable and praiseworthy men of each state who were to gather together and vote for two outstanding personalities for President,[20] one of whom was to reside outside of their own State. The one receiving the highest vote and a majority of the whole was to be President, and the next following was to be Vice-President.

In practice, Congressional caucuses of the party leaders came to decide in advance upon the men for whom the electors of their party were to vote. This system proved defective in another respect when Jefferson was chosen Vice-President for John Adams, when the Federalist party had sufficient votes to select one of their group for that office. In the historic contest between Jefferson and Burr in 1801, the deficiencies of this system were sufficiently glaring as to make necessary the twelfth amendment to the Constitution, by whose provisions electors were bound to vote for separate men for President and for Vice-President.

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[18] The Jacksonian Epoch—Peck, p. 116.

[19] History of the People of the United States—McMaster, Vol. V, p. 518.

[20] History of the United States—Hildreth, Vol. VI, p. 620.

This did not affect the Congressional caucus selection of both candidates for whom the respective party electors were pledged in honor to vote. At the same time a tradition had developed that the Secretary of State was next in line for the succession, with the result that the President, in effect, selected his own successor. So did Secretary of State Madison succeed Jefferson and he in turn by his Secretary of State Monroe. Since all three were from Virginia and had occupied the White House for two terms each, it had given rise to the popular outcry against the "Virginia Dynasty," which Jackson made sure to capitalize for his own purposes.

Meanwhile the democratic process had invaded the selection of the Presidential Electors themselves. Since each State was permitted its own method of their choosing, the greatest confusion existed in the processes adopted. Some were selected by Congressional districts, others by the Legislature, while the general ticket was resorted to in the remainder. These were the three general procedures. Combinations of these methods were employed in other States, such as part to be chosen by districts and part by the Legislature, or by the electors themselves. But by 1828 eighteen out of the twenty-four States had adopted the general ticket method substantially as it exists to-day.[21] By this system the voter chooses the Presidential Electors en bloc, with provision, as in New York, for scratching of individual names.

POWER OF THE CONGRESSIONAL CAUCUS

Party Congressional caucuses originally were shame-faced affairs, since none dared avow the purpose for which they were called. The spirit of the Founding Fathers was yet a living presence in the capital, and it could not be flouted with impunity. A good deal of face-saving, intrigue and double-dealing was resorted to, but the caucus always succeeded in making its wishes known, and the party electors as regularly carried them out.[22]

Jackson had no objection to this system until it was turned against him. Instead of confining himself exclusively to abusive invective of which he was master, Jackson enlisted the aid of Martin Van Buren who had already exhibited considerable skill in manipulating the Tammany Hall[23] wing of the Democratic Party in his state.[24] But

[21] History of the People of the United States—McMaster, Vol. V, p. 518.
[22] History of the United States—Hildreth, Vol. VI, pp. 62, 298, 595, 701.
[23] History of the United States—Hildreth, Vol. VI, p. 624.
[24] Development of the United States—Farrand, p. 156.

Jackson's victory was not merely the result of clever manipulation, or popular resentment at his being deprived of the coveted honor by Clay's understanding with Adams through which the former became Secretary of State. It was in full truth a victory for a new principle in government.

The People had been enshrined in the Declaration of Independence and in the preamble to the Constitution. Now they had become the Democracy in action.[25] The popular vote by States shows how this had been accomplished. Once more it had been a battle to the death, but this time between the aristocratic South and the equally aristocratic New England influence. The latter desired Adams' re-election, while the choice of the other was Calhoun. Both were determined that since neither could rule, the other was not to have the prize. That is why the champion of democracy carried the Alabama slavocracy 17,000 to 2,000, Virginia 27,000 to 12,000, North Carolina 38,000 to 14,000. Jackson carried his own State of Tennessee 42,000 to 2,000 while the New York working class voters helped him carry that pivoted state by 140,000 to 135,000. Massachusetts represented the unregenerated Federalist influence to the end, by casting the stately vote of 30,000 for Adams and 6,000 for the Western parvenu. The total vote was 647,000 for Jackson and 508,000 for Adams, while the electoral vote showed the much greater disparity of 178 to 83.

The high-born and the well-born and the well-to-do of the time appreciated the full significance of what had occurred. One very delicate lady of unexceptionable breeding and refinement was horrified at the rabble who crowded the austere rooms of the White House at Jackson's inauguration, who dared mix with foreign ministers and fine gentlemen, and who scrambled over expensive chairs with their hob-nailed boots in a struggle to get to the ices and cakes and drinkables reserved for their betters.[26] Sargent vouches for the truth of this description as an actual eye-witness of the horrendous scene. Supreme Court Justice Story wrote: "The reign of King Mob seemed triumphant." [27] It was indeed a sad sight for the aristocracy.

SOCIAL FORCES BEHIND THE JACKSONIAN DEMOCRACY

What were the social forces then at work to bring to fruition the glorious dreams of the political visionaries of fifty years ago? The most important influence was that of the Western States.[28] The great majority of the settlers there were native Americans, since the flood of immigration had not yet set in. They came into a virgin land where all were on the same footing. By the very nature of our political organization they would, sooner or later, be admitted into the Union on a basis of equality with the original States. Soon the aristocratic spirit of Washington's legislative councils would be watered down by the equalitarianism of the backwoods influence.

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[25] The Jacksonian Epoch—Peck, pp. 140-1.

[26] Public Men and Events—Sargent, Vol. I, p. 163.

[27] Ibid., p. 164.

Josiah Quincy, a representative from Massachusetts in 1812 saw the handwriting of the future distinctly, when he opposed the admission of Louisiana into the Union. As usual the voice of reaction spoke in the learned language of constitutional lore. He denounced with great legal acumen and greater eloquence the iniquitous consequences of such a step. The Union, he urged, was formed by a compact subscribed to by the original thirteen sovereignties. This contract could not be changed, amended or modified except as provided for by its own terms. Nowhere in the Constitution is there a provision for the admission of States formed out of territories not within the boundaries of the United States at the time when the Constitution came into effect. Louisiana was acquired later on by purchase. Soon six States or more would be formed out of that enormous area, and in time the original partners of the Union will be swamped by the outsiders who now clamor for admittance.[29]

Quincy's argument was effective enough to win the support of thirty-six members, twenty of whom were from New England. But the bill passed, and Louisiana was admitted to establish the precedent that territories lying outside of the original boundaries of the United States could be admitted into the Union on a basis of absolute equality, at the sole discretion of Congress, in the manner of any law that it desires to enact.

The spearhead of frontier equalitarianism was thrust into the citadel of aristocratic smugness and eighteenth century social ideologies. Around this core aggregated the traditional Jeffersonian democrats of Pennsylvania and the labor elements of New York City.[30]

AMERICAN IDEOLOGIES REACT TO A CHANGING SOCIAL SYSTEM

Meanwhile the changing world had profoundly affected the ideologies of American life. A nation had outgrown the ancient servile spirit inherent in the master-and-servant relationship of a former age. While legally the employee was merely a servant of the master employer, actually he was a free and independent citizen to whom politicians were beginning to cater, as the scheming men among them realized the possibilities for preferment and power inherent in universal manhood suffrage. Even in the older States the property qualifications for voting were being gradually reduced or disregarded, or circumvented by specious interpretation.

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[28] Development of the United States—Farrand, p. 159.

[29] History of the People of the United States—McMaster, Vol. V, pp. 408-11.

[30] The United States, 1830-1850—Turner (1935), p. 29.

"The widening of the suffrage in the older States," writes Turner, "by statute and by constitutional change, had been in active progress, and the new States had, almost from their birth, reposed political power in the hands of the people, either by white manhood suffrage or by so low a tax qualification as to amount to the same thing." [31] McMaster, without paying the obsequious homage that Beard [32] does to the economic factors involved, recognizes that the financial, industrial and economic conditions then prevailing profoundly affected the popular ideas about the rights of men, and these ideas were reflected in the democratizing of their constitutions and statute-books.[33]

Concomitant with the growing popular democracy, political parties were coming into existence with a mode of organization which was balanced on the base of the local precincts, counties and states, rather than on the apex of the triangle where the initial impulse originated from the adroit maneuvers of Congressional leaders in Washington. Since the strength of the local organization was founded generally upon the number of votes it could muster, that was an all-impelling motive to spread out and consolidate that base, with all the attendant evils which later manifested themselves in municipalities and other large aggregations of voters when the party organization fell into the hands of unscrupulous individuals.

The developing capitalist economy was predicated upon democracy as opposed to aristocracy, but the capitalist class was soon to learn and to perfect the art of political control over the democratic processes. For three quarters of a century and more these major political parties have functioned primarily in the interest of the dominant social class. Only through the special Theory of the Continuing American Revolution which follows out of the general Historical Field Theory is it possible to explain how despite the class nature of the existing control of the American state, its organization is essentially democratic. The facts, of course, are obvious to the most casual

[31] The United States, 1830-1850—Turner, p. 25.

[32] The Rise of American Civilization—Beard, Vol. I, pp. 542-5.

[33] The History of the People of the United States—McMaster, Vol. VII, pp. 162-4, 183.

inquirer. The understanding of the social forces which brought these facts into existence are too subtle for the superficial observer. Yet no study is more important than this inquiry into the fundamental nature of American institutions for those who concern themselves, sincerely and passionately, with the future of our country and the happiness of its people.

CLASS NATURE OF THE STRUGGLE FOR MANHOOD SUFFRAGE

Illustrative of the continuing revolution in the American social structure is the experience of Rhode Island during this period of our history. Originally settled by opponents of the Massachusetts theocracy, the colony had long been one of the most progressive and tolerant communities along the seaboard. Its form of government was established by a liberal charter granted by Charles II in 1663 and though several attempts had been made to modernize it or to replace it, the last being in 1817, the people showed no interest, and these efforts failed.

Meanwhile the economic derangements as a consequence of the embargo, the non-importation agreements and the War of 1812 with its blockade by the British, had diverted capital from ships and commerce to industry and manufacture. Factories sprang up and an industrial proletariat filled its towns.

Suffrage was still confined to property holders by the terms of the charter. This provision was natural for an agricultural and merchant capital economy where everybody except slaves and indentured servants owned land. But those restrictions were no longer appropriate to a society where the great majority of the citizens were propertyless workers. The amazing result was that in neighboring New Hampshire and Vermont during the election of 1828 45,000 and 35,000 votes were cast respectively, while in Rhode Island only 3,575 votes were cast though it had a population of 97,000.[34]

Plainly this situation could not long pass unchallenged, and a popular leader in the person of Dorr arose to organize the burning discontent of the disfranchised helots among a democratic people. But whereas the helots of Sparta were social outcasts and serfs in the land of their fathers,[35] the disfranchised citizens of Rhode Island were brought up in the equalitarian traditions of the American Revolution.

Dorr determined to resort to some of the preliminary measures their forefathers had immortalized. With typical New England shrewdness he called together a People's Convention composed of delegates from the towns, who proceeded to draw up a democratic constitution and organize extra-legal machinery for the taking of a referendum on its adoption. Fourteen thousand citizens voted for its approval. The official government acting through the General Assembly declared that no convention or government acting under that charter was within the scope of constitutional authority, and prescribed heavy punishment for those who pretended to assert such authority.

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[34] History of the People of the United States—McMaster, Vol. V, p. 518.

[35] History of Greece—Bury, pp. 120, 124, 128, 131.

DORR'S REBELLION

Meanwhile neither side was prepared to resort to the ultimate use of force, and in due time two governments claimed to be the duly authorized organ of the citizens of the State. Both sides claimed official recognition by Washington, while the nation promptly took sides in accordance with its political bent.

The Whig press denounced Dorr and his followers as "Levellers" and "Anarchists," [36] while the Democratic press adopted the Dorr slogans of "Worth Makes the Man; but Sand and Gravel Makes the Voter"; "Virtue, Patriotism and Intelligence Versus One Hundred and Thirty-four Dollars Worth of Dirt." [37]

On his return from the nation's capital Governor Dorr representing the People's Government was received with great acclaim by the supporters of the Tammany Hall wing of the Democratic Party in New York City. He even enlisted an armed force among its citizens for the support of democracy in Rhode Island, and among the volunteers for armed revolt were William Cullen Bryant and Samuel J. Tilden.[38] Americans apparently took to heart the admonition of Jefferson that blood must occasionally be spilled to fructify the soil which nurtures the tree of liberty.

Upon Dorr's return to Rhode Island a struggle ensued between the two factions claiming to be the rightful authority of the State. The popular leader was compelled to flee the State for the asylum extended by New York and Connecticut, where he walked in freedom despite the fact that a five thousand dollar reward was offered for his apprehension and return. Coming back once more to his native State to rally his supporters, Dorr was seized, convicted and sentenced to life imprisonment.

But the ghost of democracy could not be exorcised by such

[36] History of the People of the United States—McMaster, Vol. VII, p. 174.

[37] Ibid., p. 168, Vol. VII.

[38] Ibid., p. 175, Vol. VII.

methods. It rose subsequently to disturb uneasy consciences and to overthrow the old Charter Government by a peaceable political revolution. A democratic constitution was adopted and the popular State Assembly released its champion in triumph. All this transpired only a hundred years ago, and fifty years after the Federal Constitution had come into effect.

END OF PAROCHIALISM IN CONTEMPORARY THOUGHT

More and more people were beginning to think along national and sectional rather than state lines. Even in the South where state rights had become a fetish, it was a shibboleth frankly used in support of its sectional interests in behalf of the cotton slavocracy. The entire question of slavery will be treated as a whole in the closing pages of this part as we approach the climactic outburst of the Civil War. But it is important to note that in the heart of the state rights territory, all those states desirous of making that a rallying cry acted as a unit, and later as a national unit in its Confederation.

No clear-cut irreducible issue had yet arisen in the nation to divide it into uncompromising camps. On the tariff question New England was yet equally divided, the Middle States strongly for, the South as strongly opposed, with the Southwest inclined to follow her lead, while the Northwest was veering over toward protection chiefly because cheap iron and coal was making it an industrial area.

On the political issue of democracy as against the Whigs who were the spiritual inheritors of Federalism, the slaveholding Southern aristocracy supported the democratic West and proletarian Middle States interests only because of an uneasy feeling that the seed of abolition sentiment was being nurtured in the Puritanical heart of New England Whiggism.

The old state rights sovereignty ideology as an outgrowth of the colonial status had died out to be replaced by sectionalism. "But when measures of importance arose," wrote Turner, "party lines usually gave way to sectional divisions. Even at such times, party served as a moderating influence, forcing the adjustment and compromise between the sections in the policies of the leaders. . . . Undoubtedly initiative and important influence arose from personal leadership; but history is prone to attribute to such leadership an effect that is exaggerated." [39]

So when Missouri came knocking at the door of Congress for admission into the Union, the question of slavery came once more to plague the deliberations of the national legislature. Clay effected that historic compromise not because he favored the spread of slavery, nor even because he desired to limit its extension, but because he clearly foresaw that the nation was too weak, and too unstable, to withstand the shock of an encounter by opposing forces determined upon a final settlement of the issue. "Clay was the sole possessor of the genius and influence to quell the storm that would otherwise have destroyed the Union," wrote the admiring Peck. "He felt his responsibility and fully met it. So far as one man can achieve so great a result Clay saved the Union at that crisis." [40] In this tribute McMaster joins.[41]

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[39] The United States, 1830-1850—Turner, pp. 381-2.

A. Fostering of a National Spirit

SOUTHERN OPPOSITION TO A PROTECTIVE TARIFF

Those two inveterate enemies, Clay and Jackson co-operated each in his own way in fostering and preserving the national spirit. The American System, as we observed, was Clay's political creed whereby he strove to unite the disjointed segments of the national domain by means of public roads and waterways and to promote domestic industry by means of a protective tariff. Fortunately for the first part of his program the development of the railroad, the canal, and the steamboat under private auspices but liberally assisted by government aid, served to remove that program from the dubious fate awaiting it in the slow processes of legislative procedure, for the more certain results flowing from private initiative stirred by the prospect of large gains.

But the second part of his program still depended upon the favorable judgment of Congress. By adroit maneuvering Clay had been able to effect a combination of the Northwest with the manufacturing states of the North Atlantic.[42] The slave-holding South was opposed to tariffs on manufactured articles on the theory that such import duties were in effect a direct tax on their exports, which was principally cotton.

According to this theory exports must pay for imports, and that whatever increases the price of imported articles must increase the amount of exports needed to pay for a given quantity of goods.[43] The

[40] The Jacksonian Epoch—Peck, p. 85.

[41] History of the People of the United States—McMaster, Vol. IV, p. 597.

[42] The United States, 1830-1850—Turner, p. 397.

[43] Financial History of the United States—Dewey, p. 195.

subtle, soporific effect of a mouth, ear and eye-filling phrase is observed by the influence exercised upon contemporary thought by this theory, which substituted a conclusion for an analysis. This is not to imply that if only the matter had been correctly understood all conflict between the North and South would have been obviated. Historical forces are much more complicated than that. Still there is an intellectual gain in disclosing the fallacy there exists in coupling two unrelated things, the effect of a tariff and the balancing of international trade.

This dogma is based upon the mercantile proposition that in the long run exports must equal imports of both goods and gold in order to balance accounts. The deceptive plausibility of this contention is cleared up by the correct understanding of the factors involved.

England then was the great importer of American cotton and the world's exporter of manufactured articles. It is true that whatever manufactures the South bought from Britain were penalized by the addition of the duty. But there was no inherent relation between these two processes of sale and purchase, the sale of cotton, and the purchase of imported dutiable manufactures. They were not part of the same transaction. It was quite possible, and often did happen, that the protective rate had outlived its purpose by the hot-house development of domestic manufactures whose prices, due to the use of labor-saving devices and to domestic competition, were actually lower than similar imported articles with the duty attached. But even if the United States had had no tariff, and furthermore did not have to import a dollar's worth of English goods, still that would not have affected the price of cotton.

That price was established by the conditions of the world market and the internal competition of domestic producers. England would have to settle for its purchases here if not by claims against American merchants, then by sending over gold to equalize accounts. Actually the United States during that period of its history was a great importer of English capital, of long-term investments in our canals, railroads and industrial enterprises.[44]

More values were coming in than were going out. The balance of payments, as evidenced by the unpaid wealth which was pouring in, and the consequent debts which were being incurred, was heavily against this country.[45] From the standpoint of Southern economic reasoning the country was getting two dollars in values for every dollar of values being exported with the addition representing the tariff impost. But the transactions were not tied with each other, and only were placed in juxtaposition in the totalling up of the national bookkeeping accounts.

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[44] Economic Development of the United States—Lippincott, p. 262.

[45] The Economic Foundation of Business—Spahr and others, Vol. I, p. 593.

The real gravamen of the South's opposition was the fact so obvious to every observer that the North's economy was progressing at a Gargantuan pace, and that in wealth, culture and population it was rapidly outstripping the South. The theory of exports paying for imports was just another example of the popular weakness for phrases which save the trouble of further analysis beyond its capacity for understanding. The tariff undoubtedly was of great assistance to the infant industries of the North. The South did have to pay a modicum for that development whenever it purchased articles where the duty was an actual economic factor. But in that respect all purchasers of these commodities in every section of the country stood on an equal footing.

SOUTH CAROLINA'S NULLIFICATION—ROLE OF JACKSON

South Carolina hid its real, deep-seated motives behind the ample cloak of constitutionality. Its legislature declared that the tariff law of 1828 as amended in 1832 was null and void as far as it was concerned, and that it would not permit the collection of duties enjoined by that law within the territory under its jurisdiction.

Vice President Calhoun who came from that state resigned his office in order to become a Senator in a vacancy created by the election of the incumbent Hayne, as Governor.[46] No Southern State joined South Carolina in its attitude of nullifying a Federal statute. Its own people were sharply divided into Unionists and nullificationists,[47] while thirteen of its sister states, including four from the South, distinctly repudiated the pernicious doctrine as fatal to the Union.

Jackson with his customary determination resolved upon the employment of force, if necessary, to impress upon the recalcitrant State that the Federal authority was supreme in its own domain. He called upon the armed forces of the nation to support the commander-in-chief in his determination, backed up by the vote of Congress which put through the "Force Bill" by a vote of thirty-two to one in the Senate and one hundred and forty-nine to forty-eight in the House.[48] Shortly thereafter the people of South Carolina heard with alarm that a considerable armed body had been called out against them, while a portion of the American Navy rode at anchor in Charleston harbor.[49] Her leaders became aware at last that her ground for resisting the Federal government had been ill-chosen.[50]

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[46] The Jacksonian Epoch—Peck, p. 197.

[47] The United States, 1830-1850—Turner, p. 415.

[48] The United States, 1830-1850—Turner, p. 418.

Astute observers in both sections of the country were clearly aware that the tariff question was but a cloak to disguise the real issue as it was then developing, namely, the power of Congress to interfere with or to regulate the extension of, the South's "peculiar institution" of slavery. The North was not yet prepared, in those days of South Carolina's nullification in 1832-3, to accept the gauge of battle on that issue, which all had an uneasy dread could never be settled without a violent disruption of the Union.

A Georgia newspaper openly condemned the premature raising of the question of slavery by its Southern neighbor on a ground ill-suited for rallying the united support of the slave-holding States. Webster was appealed to by a Southern adherent to state frankly the intentions of the North to interfere with the security of slave property. He replied in terms which reflected what was undoubtedly the dominant opinion of his section that slavery was recognized by the Constitution and was under the exclusive control of the States themselves, and repudiated the imputation that men of the North desired to interfere with that institution.[51]

Meanwhile face-saving upon the particular dispute so ill-chosen and ill-timed had to be resorted to by both factions. Jackson, himself a Southerner, was not the type to brook flouting of the government of which he was the head. But he was both judicious and prudent enough to hold out an olive branch before him, while putting the hand which held the gun behind him; taking care, however, that the nozzle should be plainly evident to all observers.

With the outstretched hand he offered Clay's compromise bill to the tariff law, while with the other he held determinedly the power of the Force Bill. The South grasped almost unanimously at this compromise, while New England exhibited a significantly intransigent attitude. The Middle Atlantic States were equally divided, while their vote was confused by the intrusion of a temporary issue on the South's failure to support its public land policy designed for more immediate settlement by independent farmers. The final vote on the tariff compromise was 119 to 85. The Union was preserved, but the sections were beginning to harden and consolidate for that irrepressible conflict which both felt intuitively was being merely postponed for a more favorable and propitious occasion for its reopening by the antagonistic sections.

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[49] History of the People of the United States—McMaster, Vol. VI, p. 171.

[50] Ibid., Vol. VI, p. 173.

[51] Ibid., Vol. VI, pp. 178-80.

CLAY'S JUDICIOUS COMPROMISES AND WEBSTER'S STURDY FEDERALISM

From the standpoint of the historical situation as it then existed compromise on vital divisive issues was the all-essential requirement of the growing Republic. It is for that reason that Clay and Webster assume the large role which history so justly ascribes to their vision and their statesmanship.

The nation was yet in its formative stages. Only seventeen years had elapsed from the termination of the second war with England to the nullification policies of South Carolina. That struggle had exposed the weakness of the complacent ideology of the Constitutional Fathers who believed that their labors had settled every basic national problem for all time to come. A disunited nation composed of self-centered States was united again by the indomitable nationalism which had inspired the people of the Western frontier.

Clay's American System had already won the powerful support of New England. In the memorable reply of Webster to Hayne that great orator spoke the mind of the now matured Young America when he emphasized that South Carolina as well as Massachusetts was concerned about a road over the Alleghenies, a canal round the falls of the Ohio, or a railway from the Atlantic to the western waters "as being an object large and extensive enough to be fairly said to be for the common benefit. The gentleman thinks otherwise, and this is the key to his construction of the powers of government." [52]

He exposed the insincerity of South Carolina's present stand on the tariff by pointing out that the first measure of such a character had been advanced by her own son, Calhoun in 1816, and that he, Webster, had then opposed it as a plain case of Federal oppression and usurpation.[53] He had yielded to the democratic process then, and the implication was strong that South Carolina could or should do no less now.[54]

There was no mistaking the gravamen of the real issue which lurked beneath the surface of the present conflict. It was the question of slavery.[55] Webster firmly denied any intention by act or implication to interfere with that institution as beyond the scope of the Federal authority, but he emphasized that any attempt to set aside a Federal statute outside of the manner provided therefor within the frame-work of the constitution itself must ultimately resolve in a direct collision between the forces of the Union and those of the State which presumed to nullify the national mandate.[56]

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[52] Webster's Reply to Hayne—Speeches of Daniel Webster, p. 372.

[53] Ibid., pp. 382-7. [54] Ibid., p. 430. [55] Ibid., p. 357. [56] Ibid., p. 442.

Webster's peroration was a model of statesmanlike restraint, as befitted the occasion, rather than a clarion call of the intransigeant who reckoned not with the consequences. "Finally sir," he concluded, "the honorable gentleman says that the states will only interfere, by their power, to preserve the constitution. They will not destroy it, they will not impair it; they will only save, they will only preserve, they will only strengthen it! Ah! sir, this is but the old story. All regulated governments, all free governments, have been broken up by similar and well disposed interference. It is the common pretense. But I take leave of the subject." [57] And well he might at that point where the opponent was left hanging out on a limb so mercifully contrived for his support.

HARDENING OF SECTIONALISM ON THE QUESTION OF SLAVERY

If history were nothing but a series of logical demonstrations Webster's position was indeed impregnable. Unfortunately the logic of a given situation sometimes compels a disputant to disguise the real nature of the issue by the assumption of a theoretical standpoint which leaves one vulnerable to attack. So it was when Hayne was compelled to assert the primacy of the State within the Union, when he was really concerned with Federal non-interference with the social institutions developed by the basic economy of the South. The exigencies of the occasion rendered impolitic a frank avowal of the real issue. The question of national unity and national honor could be turned by a dialectical twist against South Carolina by a son of Massachusetts when the patent facts of the recent war had actually shown the respective commonwealths in a position the very reverse of that now assumed by the antagonists. That is the inherent weakness of all parliamentary pyrotechnics where a verbal display so frequently carries off the victory while fundamental issues are left undisturbed to work out their consequences in a final outburst beyond the scope of oratory to assuage or statesmanship to confine its terrible consequences.

So did Webster three years after his magnificent encounter with Hayne take up the gauge against the theoretical position of Calhoun who had now assumed the mantle as the champion of the South. There is no doubt in any one's mind that Calhoun's chief concern was to protect the South and its particular institution. His theoretical position was developed out of, and was not the basis upon which those institutions were founded. These were predicated deeply upon the economic requirements of the cotton-growing South. The forensic debates between Webster and Calhoun served their purpose in so far as they cloaked with the garment of reason the stark nakedness of the contradictory sectional requirements which only force would permanently resolve. From a historical standpoint they indicated thirty years before the event the nature of the irrepressible conflict underneath the ponderous persiflage of the parliamentary disputants.

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[57] Ibid., p. 444.

Calhoun's position was simple: First, that the constitution was a compact acceded to by the several sovereign States; and second, that these sovereign parties had a right to judge for themselves the constitutional validity of any act of Congress, and to choose its own mode of redress.

With these wide-open targets it was a simple task for Webster to riddle beyond recognition the South's defenses. The tremendous importance those speeches had for his day was not due to what he said so much as for what his section stood, and the flawless art that incomparable orator displayed in the manner of its saying. If history were to be determined by the logician's art every parliament would long since have adjourned sine die since every statesman securely settles all problems if not for eternity, surely for the few decades of his lifetime.

Webster first attacked the proposition that the Constitution was acceded to by the various states. The converse of accession is secession, and that to which a sovereign principal accedes, he might in the full exercise of his sovereign rights recede, or secede from. With the obvious import of this opening wedge, winning thereby the sympathetic ear of his listener at a time when every responsible Southerner shrank from the consequences of such a doctrine, Webster proceeded step by step to demolish the proposition that the constitution was a compact between the several sovereign states. A well-played Hamlet is no less inspiring because one knows beforehand the development of the argument; its art consists rather in its execution.

The summary of Webster's position was no less impelling because its inclination was so obvious. Rather because it was obvious, the hearer's attention was riveted upon the manner of its development, and in that Webster was supreme.

The simple pattern of his long discourse was that the constitution was not a compact between states, but a government proper founded on the adoption of the people, and creating direct relations between the Federal government and the people without the intermediary of a sovereign state to intercept their will as formally expressed; that no state authority has the power to dissolve these relations, except by revolution, and there can be no secession without revolution; that the supreme law of the land is the constitution of the United States and all valid laws of its Congress pursuant with its provisions must be obeyed; and that any attempt by a state to nullify an act of Congress is a direct usurpation of the just powers of the general government and of the equal rights of the other states.[58]

All these propositions, granting its fundamental premise, are as unassailable as the demonstrations of Euclid, granting his axioms. The South, of course, refused to recognize the validity of Webster's distinction between the Constitution as a compact between the States, as they urged, or as an agreement between the people and an independent Federal sovereignty outside of the states, as in the view of the North. Calhoun's arguments were just as much admired by the South in the immediate years before the Civil War as Webster's were among the Unionists.[59] But it is needless to enlarge now upon the fact that these titanic parliamentary struggles were not waged because of subtle verbal disputes between the supporters of the respective sides. The historical significance of Webster's orations exists in the forcefulness and cogency with which he posited the issue of nationalism versus statism.

At that time the issues had not yet been clarified sufficiently so as to wean popular sentiment from that sturdy Americanism which was born out of the travail of the War of 1812, while the Southern states had not reached that economic and political self-sufficiency to surround their pro-slavery position with the protective ideological covering of a great constitutional principle. From that standpoint Webster stands out next to Clay as the great architect of American nationalism in the forensic battles in Congress during the most important formative period of our history.

B. Evolution of the American Constitution

ORIGINAL UNIMPORTANCE OF THE SUPREME COURT

To these immortal names another must be added—that of John Marshall. His contribution to American Nationalism was not as spectacular as that of his great contemporaries, confined as it necessarily was to the limited audience of the legal world. But the profound influence he exercised was as effective, and more lasting, than the temporary devices of limited statesmanship.

[58] Webster's Reply to Calhoun—Speeches of Daniel Webster, pp. 466-7.

[59] The United States, 1830-1850—Turner, p. 189.

Students of our history are cognizant of the low esteem in which the Supreme Court was originally held. It is not necessary to join the cult of the court's worshippers in order to appreciate the significance of its contribution to the making of the American nation. Viewed historically, we must appreciate the modest beginnings of this tribunal. First of all, it was purely mechanical and synthetic in origin. It was the product of legislative fiat following upon the initial establishment of the legislative and executive branches. It had no traditions behind it, no precedents, no reminiscences of glittering struggles between outstanding legal brains before its bar.

For that matter, the Congress, and the executive branch of the Federal government was new, but with this vital difference; it was new only in name. The National Legislature was an outgrowth of the English and the colonial law-making bodies, while the Executive was almost a king in all except his manner of selection and his limited tenure. The State courts were a continuation of the well-known judicial tribunals of pre-Revolutionary days before which practiced of old the leading legal lights of the new Republic.

The Federal judiciary, particularly the Supreme Court, was a decided departure from the well-known processes of legal administration. Its jurisdiction appeared to be of a formal nature, because the powers of the court were limited to cases of law and equity arising under the Constitution, to cases affecting treaties and maritime jurisdiction, and to controversies between states and citizens of different states.

In what little repute the Supreme Court stood during the early days of our history is evidenced by several convincing facts. For example, John Jay, the first Chief Justice, resigned his office in order to become the Governor of New York State.[60] The former Chief Justice Hughes once resigned his office as Governor of the same State to become an Associate Justice of the Supreme Court —a reversal of the process which showed how far the Supreme Court had risen in the public esteem and how coveted was the honor of its membership. Prior to Jay's resignation, John Rutledge had resigned his post as Associate Justice in order to assume the highest judicial post of his own State.[61] Another Associate Judge resigned to pursue his private affairs. Marshall had declined a previous offer by President Adams of a post on that bench. Chief Justice Ellsworth of the Supreme Court resigned his office. Adams re-appointed Jay to his old post, but despite the fact that the Senate had already confirmed him, he refused to accept the robe.[62]

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[60] Government by Judiciary—Boudin, Vol. I, p. 148.

[61] Ibid., Vol. I, p. 148.

[62] Ibid., Vol. I, p. 196.

Obviously the Court had not made an impression upon the public or leaders of the bar sufficient to compensate with the requisite dignity the pecuniary sacrifices which the judicial office necessarily entailed.[63] Van Buren, a former President and leading lawyer of his day, refused the Chief Judgeship; [64] though former President Taft later on was proud to assume that dignity, where he won back a great deal of the public esteem he had lost during his incumbency as the nation's Chief Executive. It is evident from these examples that in the formative days of the Republic particularly, and up to the eve of the Civil War, the greatest legal minds sought preferment in politics rather than to be hidden away in the obscurity of the nation's highest bench.

OPEN FLOUTING OF THE SUPREME COURT'S AUTHORITY BY STATES AND CONGRESS

Nor were the powers of the Supreme Court conceded by the States even within the confines of the jurisdiction clearly allotted to it by the Constitution. Thus the Virginia Court of Appeals flatly denied the authority of the United States Supreme Court to enforce a mandate through the duly constituted officers of the Federal Government. The issue arose out of lands in that State claimed by one Martin who inherited from another whose title derived from the English Lord Fairfax's will. Since by the terms of the Treaty of Paris in 1783 and the Jay Treaty of 1794 issues arising between different nationals were protected by its provisions, Martin appealed an adverse decision of the Virginia courts to the United States Supreme Court. This court assumed jurisdiction under the specific grant involving cases arising out of treaties, and in due time handed down a decision reversing the Virginia courts and directing judgment in favor of Martin. When this mandate was brought before the Virginia Court of Appeals, that tribunal denied the power of the Supreme Court to have appellate jurisdiction over the state court upon the issues involved, and therefore disregarded that judgment as unconstitutional and without effect.[65]

Upon another occasion the Virginia Legislature specifically upheld its own highest court in defying an order of the United States Supreme Court. This case is known as Cohens vs. Virginia. The facts, briefly, are these: The District of Columbia's local government under authority of Congress instituted lotteries to raise funds for municipal purposes. In Virginia lotteries were outlawed, but the Messrs. Cohen in Norfolk, Va., sold these tickets under plea of Federal authority. Their arrest and conviction in the State court was followed by an appeal to the Supreme Court. The Virginia Legislature instructed State counsel to move dismissal of the appeal on the ground of lack of jurisdiction, and if that motion were denied to refuse to argue the case further.

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[63] Ibid., pp. 208, 263.

[64] Ibid., p. 465.

[65] Ibid., Vol. I, pp. 282-3.

Marshall in his decision on that case followed the prudent tactics of Marbury vs. Madison; he upheld the conviction on a technicality, but furnished a cogently reasoned argument upon the right of the Federal courts under the Constitution to declare state legislation unconstitutional.[66] As a result of this decision strenuous efforts were put forth to deprive the Supreme Court of any power it claimed to assert over cases in which the state was a party, except between two or more states.[67]

At another point in our judicial history, Congress deliberately defied the Supreme Court which had declared a certain bridge a hindrance to navigation and ordered its removal, by enacting subsequent legislation declaring this bridge a public necessity.[68] The State of Georgia at one time entered into the sport of Supreme Court baiting by prohibiting the service of its mandate upon any State officer; or if served, to disregard it. This was in the case of a Cherokee Indian convicted of murder who had carried his case on appeal, to what presumably was the highest court of the land.[69]

So did the courts of Ohio,[70] Kentucky [71] and California [72] refuse to abide by judgments rendered by the United States Supreme Court. The State of New York defied the Court and refused to answer the Court's summons.[73] "It is an interesting fact," wrote Boudin, "though hardly ever mentioned by historians, that the career of the United States Supreme Court should have opened with a conflict in which a state defied its mandate." [74]

We who have been brought up on the stream of indoctrination and unadulterated propaganda to look upon the Supreme Court with awe and veneration, and as something sacrosanct above the common strife of mortals, are somewhat bewildered when in maturity a few of us begin to study the real record in the evolution of

[66] Ibid., Vol. I, p. 304.

[67] Constitutional History of the United States—Hockett (1939), pp. 5-6.

[68] Government by Judiciary—Boudin, Vol. I, p. 431.

[69] History of the People of the United States—McMaster, Vol. VI, p. 177.

[70] Government by Judiciary—Boudin, Vol. I, p. 476.

[71] Ibid., Vol. I, p. 374. [72] Ibid., Vol. I, pp. 477-8. [73] Ibid., Vol. II, p. 316.

[74] Ibid., Vol. II, p. 317.

the judicial power. From the very beginning it was the object of general suspicion, and its acts were closely scrutinized with a view to scotching any attempt at enlargement of its powers; or the Court taking steps which would tend toward the diminution of the authority of the states, or of the co-ordinate branches of government.

Thus early in its career the Supreme Court by a vote of five to one upheld a citizen of another State in his effort to sue the State of Georgia on a money claim.[75] Apparently this large majority read the provision of the Constitution at its face value when it conferred power upon the Federal judiciary on causes between a State and citizens of another State. On their face these words were unambiguous and specific. Yet their practical application brought down upon the Court a storm of censure when in the case of Chisholm vs. Georgia, that sovereign state was called before the bar of justice on the simple service of a citizen.

THE ELEVENTH AMENDMENT CURBS THE JUDICIAL POWER

Very properly the nation was stirred over this move which would destroy at its very inception the Federal Union of sovereign states as envisaged by the framers of the organic law. The Georgia Legislature passed a bill providing that any Federal Marshal who executed a process under this decision was guilty of a felony punishable by death without benefit of clergy.[76] As a result of this decision the eleventh amendment was put through limiting the Judicial Power of the United States so that it shall not be construed to extend to any action instituted by a citizen or a subject of a foreign state against any of the United States.

McLaughlin concedes that it was poor law and worse statesmanship on the part of Chief Justice Jay and his majority to have upheld Chisholm in his claim against Georgia, yet he admits that their underlying thought was to construe the Constitution in terms of decided nationalism; that the Union was not merely a compact between sovereign States, but an agreement between all the people of the United States upon the nature of their organic government.[77]

While the legalistic interpretation now supports the doctrine of Iridell, who was the minority of one in that famous decision, yet in practice the nationalist theory prevails; though the State condescends to allow a citizen, by its consent, to claim the protection

[75] Ibid., Vol. I, p. 128.

[76] Government by Judiciary—Boudin, Vol. I, p. 129.

[77] Constitutional History of the United States—McLaughlin (1935), pp. 301-2.

of its law in its own courts of justice. In modern society, the State could not let a contract for a box of matches unless the vendor had recourse to protect his legal rights. The laws of capitalist economy have prevailed over the stiff-necked medieval conceptions of state absolutism.

ADAPTATION OF JURISPRUDENCE TO THE PREVAILING SOCIAL REQUIREMENTS

Far from being the perfect mechanism of perfect minds, actually the Constitution was beset with the inherent difficulties confronting every vast social revolution. The conditions created by the revolution are new and dynamic, while the most stable element of social existence, the one least liable to sudden transformation, is the ideological reactions of the people, even of those most active in effecting the revolution itself. Few, if any, then realized that the great Political Revolution was also the beginning of the Continuing American Social Revolution. Merchant capital was on the way out and industrial capital was on the way in as the dominant factor in the national economy. As it so often happens, the leading factors in the political revolution cannot adapt themselves to the requirements of the developing transformations in the social structure.

Hence Jefferson and his fellow Democrats would have stifled that very development and have us remain an agricultural nation, with inevitable semi-colonial dependence upon Europe. Opposed to him were the really constructive elements of his time who were pressing for a national conception of the government, impelled by the same dynamic forces which led the middle class in England and France to favor a strong national government as against the multitude of sovereignties which characterized the medieval period of merchant capitalism.

"We are forced once more," writes Hockett, "to face the fact that the words of the Constitution did not themselves prove whether it was an agreement of the individuals of one great community, or of several communities each acting in its corporate capacity. The language of the great document did not command uniformity of opinion, nor indicate unmistakably how conflicts arising from its lack of agreement were to be decided, short of resort to the amending process by which the decision in Chisholm vs. Georgia had been over-ruled." [78]

[78] The Constitutional History of the United States, 1826-1876—Hockett (1939), p. 17.

This ambiguity was neither an accident, nor even the result of design. The great revolutionaries of the Jefferson, Samuel Adams and Patrick Henry school had outlived their day on the stage of history. They refused to see that a new social structure was developing within the womb of the political state toward which they had contributed so powerfully in bringing into existence. The seed of future progress was with the Federalist-Nationalist school, and the facts of history soon proved they could not be denied. The Jefferson school was instrumental by their decentralizing tendencies during their long control of the Federal government to limit this integrating American nationalism. At the same time their stirring appeal to the dignity of man and the rights of the individual under law and in society was creating the basis for what was to continue on as the developing American revolution whose spirit was never more alive than in our very times.

IMPRESSIVE CONTRIBUTION OF JOHN MARSHALL TOWARD THE MOULDING OF THE AMERICAN STATE

John Marshall is a towering figure in our history by any standard of measurement. Even those who do not think much of him as a lawyer pay him the merited homage of being a great statesman in the garb of a mediocre jurist. Warren does not think highly of Marshall's legal acumen, though in common with the rest of the commentators upon that great jurist's career he recognizes that his chief historical significance lies in the nationalist theories of government he propounded in his decisions, and helped to shape by impressing his judgment upon his fellow jurists.[79]

No scholar of comparable learning whose opinion is entitled to the respect which conscientious scholarship always commands, is more caustic in his criticism of Marshall's legal ability than Boudin; yet he frankly speaks of "the Heroic Age of the Marshall Court which commenced with a series of great decisions beginning with McCulloch vs. Maryland and terminated with Gibbons vs. Ogden." [80] Chief Justice Hughes joins in the tribute to Marshall, moved more by his statesmanship rather than by his legalistic application of the letter. To him the Great Chief Justice stands out by his firm insistence upon the individuality of the national government which possessed an existence independent of the States, and whose au-

[79] The Supreme Court in United States History—Warren, Vol. II, pp. 273-4.

[80] Government by Judiciary—Boudin, Vol. I, p. 382.

thority was supreme within the orbit of the powers conferred upon it.[81]

It is not within the province of the present inquiry to apportion Marshall's exact position in the firmament of our legal luminaries. In the opinion of such scholars as Woodruff, Cohen and Wigmore, Marshall would not be included among the first dozen of our outstanding constitutional lawyers.[82] Still the fact remains that one does not get very far in any discussion of our judicial and political history without stumbling across the name of Marshall. This is no mere ironic accident whereby, as so often happens, the great are submerged by the ponderous waves while the airy froth is visible on the surface. Lawyers delight in exposing the poor law embodied in Marshall's great opinions; yet they all grant him first rank, if only by the active polemics in which they love to break a lance with the old master.

Why is it so? Because Marshall represented a definite social force working toward national unity and the emergence of an all-inclusive Federal power sufficient for all the exigencies of its time. "He became in substance, if not in name, a leader of the Young America movement," wrote Boudin, "and it was as a leader of that movement, and while using the latitudinarian conception of the Constitution which was characteristic of that movement in aid of measures adopted by Congress in carrying out the program of that movement, that he became a really vital force in American history. And it is on his actions during this period of his Chief Justiceship that his fame should rest." [83]

With this measuring rod most will agree in principle, though in practice Boudin himself departs from his own standard to engage in numerous polemics on abstract legalistic conceptions. Lawyers easily fall into the habit of ministers who appeal to immutable laws to establish the verity of what is actually the yardstick of their present moral application. But scientific history recognizes no such absolutism in society. Lawyers stick to precedents and constantly refer their present reasoning to justify that application, while historians are concerned with the social forces which give rise to the precedents themselves, and so to the long line of their judicial progeny, together with the analysis of the factors impelling judicial revision, or even removal of ancient legal milestones.

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[81] The Supreme Court of the United States—Hughes, pp. 97-8.

[82] Their opinions are quoted by Boudin in his "Government by Judiciary," Vol. I, pp. 404-5.

[83] Government by Judiciary—Boudin, Vol. I, pp. 277-8.

MARBURY V. MADISON ASSERTS THE COURT'S POWER TO DECLARE ACTS NULL AND VOID

Marbury v. Madison may be atrocious law; at least McLaughlin is on very safe ground when he asserts that no respectable tribunal nowadays would dare proceed in Marshall's irregular fashion.[84] The facts in this famous case briefly are these: Two days before President Adams' term was to expire he appointed five new Justices of the Peace whose offices had been recently created by the District of Columbia Judiciary Law. Among those appointed was Marbury. The commissions were duly made out and signed by the President and sealed by Marshall himself who was then acting as Secretary of State; but owing to the rush of affairs in the closing days of the Administration, these purely formal evidences of office were not delivered. Outside of the actual delivery of these commissions, the appointments were in all respects complete. Upon Jefferson's installation as President these commissions were still in the executive offices undelivered, and he ordered that they remain so.

Marbury instituted suit asking for a mandamus directed to Madison, the new Secretary of State, to compel him as a purely ministerial function, to deliver up the commissions as insignia of his office. The order was issued and served, but Madison ignored it on the ground that the judicial power did not extend to ordering the executive branch of the government to appear before it as a suppliant.[85] In due time the matter came before the Supreme Court, where now Marshall was sitting as Chief Justice.

It is axiomatic in judicial processes that the court must first establish its jurisdiction before it can inquire into its power to act in the premises. Otherwise nothing but chaos would result. Therefore, argues Warren, "the framers made no provision whatever as to the powers of the Court—neither for this power nor for any other function of the Court. It is always important to bear in mind that there is a vital distinction between a Court's jurisdiction and a Court's power. Judicial power comprises the functions exercised by a Court after it has obtained jurisdiction. Having fixed the Court's jurisdiction, the delegates assumed that the Court, having obtained jurisdiction, would exercise all functions and powers which Courts were at that time in the judicial habit of exercising." [86]

Marshall ought therefore to have considered the problem as follows: First, has the Court jurisdiction in the matter before it; namely, to compel by its order the performance of an act by the Executive Department of the national government? And, if so, what are the merits of the case before it as judged by the processes customary in the tribunals of the time?

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[84] Constitutional History of the United States—McLaughlin (1935), pp. 305-6.

[85] Government by Judiciary—Boudin, Vol. I, pp. 199-201.

[86] Making of the Constitution—Warren, pp. 331-2.

Obviously had Marshall proceeded in this manner there would have been no occasion to issue that historic opinion. But in common parlance, he had something on his chest and wanted a convenient legal vehicle to get rid of it. Therefore he transposed the usual method of procedure.[87] He first argued upon the constitutional aspects of the case before he took up the question of jurisdiction. In the first part of his decision he laid down the basis of judicial interpretation from which he derived the Court's power to declare acts of Congress as contrary to the provisions of the Constitution and therefore null and void. But in the second part of his decision he denied Marbury the recourse to mandamus, on the ground that the provision of the Judiciary Law of 1789 under which he was proceeding, and by whose terms the Court was authorized to issue a mandamus on the show of facts presented, was unconstitutional.

In this very adroit transposition Marshall accomplished two important purposes: He was willing to make a show of judicial abnegation by depriving the Court of a power granted by a law which it declared unconstitutional, but at the same time he established the principle that the Court did have the power to declare acts of Congress a nullity on that ground.[88] True, that was by sheerest obiter dictum.[89] For the immediate purpose at hand, Jefferson was mollified because no order was issued against his Secretary of State; but in the long range of affairs as Marshall envisaged them, the Court was now secure in its right to review legislation of both state and national governments with a view to determining their agreement with the provisions of the basic national law.

ISSUE OF JUDICIAL USURPATION

Obviously this was a tremendous power to assert for any group of men, though they be garbed in the robe of judicial impersonality; which is but another of those useful legal fictions. Under the Marshall regime only nineteen laws of thirteen different states were declared unconstitutional,[90] while no other but the Marbury case

[87] Government by Judiciary—Boudin, Vol. I, pp. 204 and 214.

[88] Chief Justice Taft in Myers vs. United States (1926), referred to by McLaughlin, p. 306.

[89] Government by Judiciary—Boudin, Vol. II, p. 299.

[90] The Constitutional History of the United States, 1826-1876—Hockett, p. 13.

resulted in the setting aside of a federal act until the Dred Scott case twenty-two years after Marshall had passed on.[91] If he asserted a power, it is to the credit of the Supreme Court that it was reluctant to exercise it.[92] Only after the Civil War days did the Court begin to set aside legislation with that frequency which gave rise to the cry of judicial usurpation in which Marshall played the role of arch villain.

That the right of review claimed exercised a salutory influence there can be no doubt, for our history is replete with premonitory debates in legislative assemblies concerning the constitutionality of measures affecting every phase of government activity, even at the time when the Court was so reticent in the exercise of the authority asserted by it. The recent re-organization of the Supreme Court by the process of resignation and replacement was really effected under the duress of President Roosevelt's threat of a major judicial operation, where compromise was thought best by all interested parties rather than a struggle to the bitter end. But there has been left undisturbed the vital question of the Supreme Court's authority to declare legislation null and void on the ground of repugnancy to the basic law of the land.

Of late the alleged usurpation of power by the Supreme Court to declare laws unconstitutional is no longer the fervent issue in which perfervid progressives of all shades loved to indulge their bent for histrionics. That these so-called liberals and progressives as a class are ignorant of the very constitutional history which they profess to analyze and attack, is evidenced by their utterances. Boudin's work is a brilliant exception to the rule. He himself is a most bitter critic of these self-proclaimed liberals and progressives who argue on generalities, because they are too ignorant of the facts and their development.[93]

The scope of this work does not permit a detailed analysis of the theoretical position upon which this judicial power is based. Our chief concern is with its effects and the role it has played in the evolution of the American nation. Nevertheless a gap would be left open in the argument did we not state the reasons for our support of the power claimed for the Supreme Court.

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[91] Constitutional History of the United States—McLaughlin, p. 317.

[92] The Supreme Court of the United States—Hughes, p. 89.

[93] Government by Judiciary—Boudin, Vol. II, pp. 447, 449, 451.

DEFENSE OF THE SUPREME COURT'S GENERAL POWER TO DECLARE ACTS UNCONSTITUTIONAL

From the very beginning of the colonies the American people were accustomed to think in terms of a limited sovereignty. This was the basis of their appeal to their rights under the colonial charters where such were granted, or to their general constitutional rights as Englishmen where definite substantive law did not exist.[94] The host of abuses which they enumerated in the Declaration of Independence as justification for revolt, not only in their eyes, but equally moving to the enlightened judgment of mankind, were based wholly upon definite rights which they claimed and which were brutally violated by the power of a despotic Crown.

Their original purpose was to gain independence for the colonies which now acted as the United States of America organized principally for the more effective protection of their traditional rights. The Articles of Confederation as drawn and eventually agreed to were designed to protect the state sovereignties with a minimum of power yielded to the Congress. Subsequent events proved conclusively that this minimum was not enough; nay more, that if this minimum was not raised, and quickly, the Confederation would soon relapse into a moribund state.

Thus four years after final independence had been achieved by formal treaty recognition of that status by England, a convention was called together to consider the revision and strengthening of the Confederation. Exchange of opinion among the brilliant men gathered there soon showed that revision merely would not meet the issues, but that a new frame of government would have to be organized if the United States of America was to be preserved as a functioning government. In order to accomplish this purpose certain powers exercised by the thirteen state sovereignties had to be surrendered to the central authority.

But that was not all. A definite form of national organization was advanced with powers deemed adequate to the effectuation of the purposes enumerated within the Constitution, and sufficient to maintain its sovereignty. A dual sovereignty was contemplated, that of the Federal Government and that of the respective State governments, where each was to be supreme within its own sphere. In order to make certain of that, the tenth amendment was adopted providing specifically that the powers not delegated to the United States are reserved to the States, or to the People.

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[94] Constitutional History of the United States—McLaughlin, p. 318.

It would appear evident from this amendment, if any additional proof were required, that the Constitution was not merely a compact between sovereign States which by virtue of that fact can withdraw what they grant, but was an organic instrument binding together indissolubly the people within the territorial limits of the United States of America as citizens of a common country. The Constitution therefore was a New Roof which was to cover and protect all the people as Americans with such means and for such purposes as was contained within its provisions.

Certainly not every conceivable situation could be foreseen and provided for. The great merit of the Constitution is its brevity and the general terms in which its powers are stated. But once authority is specifically granted the powers, express or implied, must be adequate to the carrying out of its provisions. The authority of the Federal Government is limited by its constitutional grant. By parity of reasoning, the authority of the States is limited by the extent of the powers surrendered to the Federal government.

It appears self-evident that the limitations of the Federal Constitution could not be applied against the States without applying them equally against the Federal power. If they were urged against the one, they were as equally applicable against the other. The Federal Government could not long survive the flouting of constitutional limitations by the States; nor could the Federal government maintain its existence within the framework so carefully constructed for it, if it were left unhampered in the passing and enforcement of laws beyond the scope of its authority. We know human nature in the face of usurpation; but of even greater importance, we know the tendency of power to feed upon itself by every subtle art that ingenuity can devise or brutality can enforce.

There is no recourse against a major force but submission; and it was the purpose of the entire American Revolution and all that followed from it to prevent such a force arising, or to permit government unlimited power no matter from what source such absolutism was claimed. The question of the proper sphere of government was long a moot one, but the Constitution was intended to solve that in so far as the necessarily limited hand and vision of man could effect that purpose. Hence the theory of supreme power but within the limited framework of the Constitution.

This received its most closely reasoned application at the hands of Marshall. "By the Supreme Court itself the question was determined in Marbury vs. Madison (1803)," wrote Hughes. "The reasoning of Chief Justice Marshall's opinion has never been answered." [95] Such unqualified assertions must be closely scrutinized, and no responsible person jealous of his reputation would indulge such a statement unless he felt confident of the outcome against all possible attack.

BOUDIN'S ATTACK UPON THE JUDICIAL POWER

The most fervent, the most eloquent, and at the same time the most scholarly attack upon the Judicial Power that has come to our attention is the work of Boudin in two volumes of twelve hundred pages of closely-knit reasoning and exposition. The basis of his contention is that in the theory of our Constitution the Judiciary is a co-ordinate branch of the Federal Government, and cannot impose its judgment upon any other, and that no decision can be considered definite and determinative unless all of the three departments of government are united in an opinion and continue to act on that opinion for so long a time that it must be assumed that it has received the sanction of the entire community.[96]

He denies that the Constitution is a sort of power-of-attorney from the people to the government, or a contract between them, whose meaning the Judicial Power must constantly interpret, and against whose interpretation all acts must be related to determine their validity or invalidity; in which latter case, the act becomes a nullity because of constitutional infirmity.[97] Under the pretext, or at best, the claim of applying the law the Supreme Court has in effect been engaged in making the law by the simple process of setting itself up as the last resort concerning what laws the Court will allow to pass, and what laws it will not allow to pass, through the rules of interpretation, concerning which it is itself its own unbridled authority.[98] Hence there has been a steady course of absorption of power by the United States Supreme Court at the expense of all the other departments of government, and of the people themselves, resulting in this institution of what Boudin calls Government by Judiciary.[99]

DEFECTS IN BOUDIN'S POSITION

First-rate thinkers are by that very fact consistent with themselves, even in their errors. One of the shabbiest forms of argumentation is to quote a writer against himself. A writer guilty of such inconsistencies is unworthy of consideration, while contradictions, if they do exist are usually in the befuddled understanding of the critic rather than in the work thus subjected to criticism. This statement is called for because of what is to follow.

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[95] The Supreme Court of the United States—Hughes, Charles E. (1936), p. 87.

[96] Government by Judiciary—Boudin, Vol. I, p. 179.

[97] Ibid., Vol. II, p. 53.

[98] Ibid., Vol. II, p. 336.

[99] Ibid., Vol. II, pp. 548-9.

Boudin does not undertake to deny out of hand the Supreme Court's power to set aside laws as unconstitutional and therefore without effect. He draws a distinction between the right to set aside acts violating an express provision of the Constitution, which would in itself be in the nature of a revolutionary act as a flagrant breach of the Constitution, and to declare an act unconstitutional where the question depends on implications, or a difference of opinion between the Legislature and the Judiciary as to the interpretation of the Constitution.[100] His complaint is that judges are moved in their decisions, consciously or unconsciously, not so much by constitutional scruples, as by their notions of what is wise, just, necessary and expedient,[101] and unfailingly find in the vast reservoirs of abstract constitutional lore learned support for their personal notions.

The astonishing result is that after Boudin's mountain of labor to prove the contrary he is compelled to go back to Marshall's principles of constitutional construction; namely, that an act violative of a distinct provision, or a power claimed beyond the constitutional grant is invalid and therefore null and void.[102] He would, of course, substitute for the present Court's notions of what is, and what is not, expressly prohibited in the Constitution of the United States, or of a State, his own views on the subject. Unfortunately the country is not yet ready to accept his views of interpretation.

Perhaps it would be a fine thing for the country if Mr. Boudin was ensconced in the seat once held by the Great Chief Justice, and with the support of four like-minded men on the bench, he set about to propound his interpretation of laws as they came before the august tribunal. But in the final analysis, laws would still be set aside as null and void, but now from the Boudinesque standpoint of what is just, necessary and expedient for an enlightened social polity.

Boudin sets up other standards by which to judge the validity of legislative acts. He subscribes to the Brandeis dictum that such acts can be set aside as inherently defective when they transcend the bounds of reason; or where the legislators acted in an arbitrary or capricious manner, and one must assume that had they been in their right senses they could not have acted in such a manner in accordance with their oath of office.[103]

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[100] Ibid., Vol. I, pp. 98, 292.

[101] Ibid., Vol. I, p. 22.

[102] Ibid., Vol. II, pp. 505-6.

Whatever the measuring rod employed, and by whom, the fundamental principle which Boudin set out so valiantly to attack is yielded in the course of his own argument. The Supreme Court, he concedes, can set aside legislation on the ground that it is contrary to the terms of the Constitution, though it will always be a matter of dispute as to what those terms are in the light of changing social conditions.

Marshall himself could subscribe to Boudin's general rule of interpretation. No judge, it can safely be assumed, ever voted to set aside an act of Congress, or of the State Legislature, without pointing out what was to him some express prohibition in the Constitution. At least no judge would admit acting otherwise. What seems to one set of eyes a prohibition is miraculously transformed in other eyes into a definite grant. Everything then depends upon whose brain it is that directs those searching inquiries. Seldom, indeed, does an act come before the Court clothed with such decisive infirmity as that red-headed men cannot be Governor of the State, or where Congress declares that the metropolitan area of New York City within a radius of fifty miles is hereby set up as an independent state despite the active and unanimous remonstrance of New Jersey, Connecticut and the remainder of the sovereign State of New York.

Since the power to throw out laws on the ground of express repugnancy is conceded by Boudin at the very outset, the remainder of his work is a scholarly and conclusive demonstration that judges vote their prejudices draped in the garment of constitutional impersonality and immutability. To the soundness of this thesis we wholeheartedly subscribe, and nothing would afford us greater pleasure than to have Boudin expound his own brand of immutability from the august bench of the nation's most solemn tribunal.

Even Jefferson knew about [104] and subscribed to the Judicial Veto Power,[105] while Beard who has an inordinate love for statistics—which all the world knows are self-explanatory—goes through a laborious search of available evidence to prove that twenty-five members of the Constitutional Convention supported the theory that the Supreme Court could set aside unconstitutional legislation by both Congress and the States; [106] a "fact" which Boudin, with no inconsiderable success, promptly proceeds to disprove by another searching analysis.[107]

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[103] Ibid., Vol. II, p. 501.

[104] Making of the Constitution—Warren, p. 323.

[105] History of the United States—Channing, Vol. III, p. 508.

[106] The Supreme Court and the Constitution—Beard, pp. 50-1.

MARSHALL'S STATESMANSHIP GENERALLY RECOGNIZED

But whatever legalistic differences there might exist relative to the veto power asserted by Marshall, there is a striking unanimity in proclaiming the greatness of the Chief Justice in laying down the basis for a strong national power. Hughes admits that the Supreme Court has had at all times the most severe critics, but he is proud to assert that on nationalistic grounds all commend it and the great jurist who was chiefly responsible for buttressing the foundations of a strong national government.[108] Even Boudin concedes that the decision handed down in McCulloch vs. Maryland is one of the most magnificent opinions in the history of our judiciary,[109] and he pays Marshall the high compliment—coming from such a source—that although Marshall was an indifferent lawyer, he proved himself by that decision to be a great statesman.[110]

The facts of McCulloch vs. Maryland are simple: The Second United States Bank was duly chartered by Congress to conduct a general banking business with branches in various parts of the country. A struggle was then going on between the adherents of the State banks and the supporters of what was termed the financial octopus. Maryland passed a law providing that any branch bank not chartered by the State doing business within its jurisdiction must issue its notes on State stamped paper for which it would have to pay a fee. The United States Bank branch in Baltimore refused to comply, claiming the protection of its Federal charter, and the issue came on before the Supreme Court for adjudication.[111]

THEORY OF IMPLIED POWERS

It was in this case that Marshall laid down the full scope of the doctrine of implied powers so necessary to the functioning of our system of government.[112] A constitution, Marshall argued, cannot contain in accurate detail all the subdivisions of which its great powers will admit without the risk of inordinate prolixity. Therefore the framers were limited only to its great outlines and the important objectives aimed at, leaving the minor ingredients to be deduced from the nature of the objects themselves. The Bank of the United States was an immense financial machine, economically and beneficially applied to the fiscal transactions of the nation. The establishment of the bank by the grant of a Federal charter is nowhere among the enumerated powers conferred upon the legislative branch of government, but its function comes within the scope of the general purposes to raise money on the credit of the United States, to pay its debts, to regulate commerce, to coin money and establish its value, among the general purposes of government. And then followed the brilliant oracular statement: "Let the end be legitimate, let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the Constitution, are constitutional." [113]

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[107] Government by Judiciary—Boudin, Vol. I, p. 570.
[108] The Supreme Court of the United States—Hughes, pp. 46-7.
[109] Government by Judiciary—Boudin, Vol. I, p. 298.
[110] Ibid., Vol. I, p. 302.
[111] Constitutional History of the United States—McLaughlin, p. 388.
[112] The Supreme Court of the United States—Hughes, p. 143.

This is the classical definition of implied powers in accordance with the broad construction theories of the Hamilton school. Even the Democratic-Republicans of Jefferson had come to support that point of view after the unfoldment of events during the first two decades of the nineteenth century had taught them that abstract principles are of no consequence before the battering blows of life's realities.

The corollary following from that decision was that the granting of the United States Bank franchise was within the scope of Congress' powers. Consequently any attempt made by a State to impose restrictions upon a Federal government agency was limiting the proper functioning of the government itself. The imposition of taxes upon such an agency was an additional burden upon its business and Marshall laid down the sonorous doctrine that the power to tax is the power to destroy, and may render useless the power to create.

The issue of the United States Bank did not end there. Ohio had passed a law imposing a tax of fifty thousand dollars upon any bank doing business within the State without first being chartered by the State.[114] Although this law was enacted a few weeks before the decision in McCulloch vs. Maryland, essentially the same principle was involved. The Supreme Court had not yet attained that dignity which impresses by its prestige if it cannot overawe by its power. It took five years for that case known as Osborn vs. Bank of the

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[113] Government by Judiciary—Boudin, Vol. II, p. 166.

[114] Constitutional History of the United States—McLaughlin, p. 391.

United States to come on before it, but it gave Marshall another opportunity to propound his great constitutional doctrines and to reinforce the lessons taught in the prior decision.[115] The nationalist spirit was yet too weak to effectively enforce the principles enunciated by the great jurist in the prior adjudication.

Hockett concedes that it would have been most impolitic for the Federal government to attempt to enforce this banking decision of the highest court, as it had come to do in the case of the U. S. mails.[116] The reason is obvious. It is one thing to send out an armed detachment against bandits endangering the delivery of the mails; it is a far different matter to coerce a state over such an unpopular organ as the United States Bank. It was not until after the Civil War that the central government dared place a check upon the denial of protection by a State to corporations engaged in interstate commerce by reading into the Fourteenth Amendment the equal protection of the law to persons as equivalent to similar protection for corporations. Though ignorant progressives, concerning whom Boudin so justly complained, have denounced this stretching of judicial power by interpretation, common sense cannot conceive how the developing capitalist economy could have gotten along otherwise.

EXPANDING CAPITALISM REQUIRED EFFECTIVE REGULATION OF INTERSTATE COMMERCE

Marshall himself had laid the basis for this all-essential protection to inter-state commerce when in the famous Dartmouth College decision he had declared that a corporation is "indeed a mere artificial being, invisible and intangible. Yet it is a person for certain purposes, in contemplation of law." [117] This group of historic decisions constituted the Magna Charta of American capitalism, and paved the way for its extraordinary development by breaking down the legalistic barriers of State boundaries and opening up all commerce to every section of the country.

"Thus," wrote Hughes, "the State cannot tax interstate commerce, either by laying the tax upon the business which constitutes such commerce, or upon the privilege of engaging in it, or upon the receipts, as such, derived from it, or upon persons or property in interstate commerce. The States have no power to prohibit interstate trade in legitimate articles of commerce, or to discriminate against the products of other States, or to exclude from the limits of the State, corporations or others engaged in interstate commerce, or to fetter by conditions their rights to carry it on. The States cannot prescribe the rates to be charged for transportation from one State to another, or subject the operations of carriers in the course of such transportation to requirements that are unreasonable or that pass beyond the bounds of suitable local protection."[118] It would be difficult to improve upon this statement of the case.

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[115] Government by Judiciary—Boudin, Vol. I, p. 302.

[116] Constitutional History of the United States, 1826-1876—Hockett, p. 125.

[117] Constitutional History of the United States, 1826-1876—Hockett, p. 126.

For the historian it is important to note the support of the Chief Justice's opinion that while these due process and equal protection decisions have arisen out of the Fourteenth Amendment, the fundamental source from which they germinated to flower into the widening of the scope of national authority is the doctrine of implied powers as laid down by Marshall in the above mentioned United States Bank cases, and an interstate commerce case involving the use of navigable waters known as the Gibbons vs. Ogden case.[119]

PUBLIC INTEREST PLACED OVER PRIVATE PROPERTY RIGHTS

Among the outstanding decisions of this Period of Expansion none surpass in importance that of the Charles River Bridge case in opening wider the flood-gates of individual initiative in capitalist enterprise. The facts of this case briefly summarized are these: In 1640 the Massachusetts Bay Colony granted to Harvard College the right to operate a ferry between Boston and Charlestown. In 1786 due to the great increase of population, the Legislature decided to authorize the construction of a toll bridge, and by agreement with the college granted a franchise to a bridge company, which was to pay two hundred pounds' compensation to Harvard College annually in lieu of the revenue lost by the discontinuance of the ferry. Meanwhile Boston was becoming a thriving metropolis and its citizens complained about the high tolls charged and the exorbitant profits made by a private corporation from this public necessity. The company's shares originally worth one hundred dollars were selling around two thousand dollars. The Massachusetts legislature decided to afford relief to the municipality by granting a franchise to another company to construct a bridge a few rods removed from the old one, upon terms much more favorable to the people and to the State. The tolls were to be lower, and at the end of six years the property was to revert to the State without further cost. Upon suit undertaken by the old company the decision went against it in the Massachusetts courts, and finally the case reached the United States Supreme Court.[120]

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[118] The Supreme Court of the United States—Hughes, p. 146.

[119] Ibid., p. 143.

The basic issue involved was the impairment of the obligation of contract claimed by the Charles River Bridge Company, according to which any bridge in the vicinity could not but result to its financial detriment. No claim was made that its charter granted it an exclusive monopoly, but that the courts must read into the contract an implicitly exclusive right, otherwise its existing rights would be greatly diminished in value, if not altogether destroyed.

The issue here was that of vested private rights as against the public interest. Unless this is clearly grasped it would be impossible to understand the significance attached to this case. Had it been one of vested private interests as against the national interest, there is no question where Marshall's sympathies would have been. It is futile to attempt to draw a line between the man and the jurist, between the individual's political philosophy and his actions as a public official. Marshall was a nationalist, but he was also a defender of property rights where the national authority was not impaired.

When the issue first came on before the highest tribunal in 1831 Marshall was still Chief Justice. The case was heard by five justices, the other two being prevented from attendance by illness. Of these five one voted to support the Massachusetts decision, one questioned the jurisdiction of the Court, while the remaining three, consisting of Marshall, Story and Thompson agreed that the State court should be reversed.[121] Originally Story was commissioned to write the opinion of the sitting majority, which however constituted a minority of the Court's total membership. In view of this fact, the case was remanded for re-argument.

During the pendency of the matter the Supreme Court had undergone considerable changes in its membership. These changes were not only of a personal character but of a political nature. The Jacksonian avalanche had finally reached the Supreme Court. Five of its judges were now Jackson appointees, including Taney as Chief Justice; only Story and Thompson remained of the Old Marshall phalanx.[122]

When the Charles River case came on for final adjudication the decision now was five to two for upholding the Massachusetts courts. It is significant to note what a tremendous personal influence Marshall wielded among his associates that even a Jackson appointee, McLean, who sat at the first hearing voted now with the new majority, while siding with the minority on some constitutional points.

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[120] Government by Judiciary—Boudin, Vol. I, pp. 385-6.

[121] Constitutional History of the United States—Hockett, p. 116.

[122] Government by Judiciary—Boudin, Vol. I, p. 387.

HISTORIC CONSEQUENCES OF THE CHARLES RIVER BRIDGE CASE DECISION

The importance of the Charles River Bridge case lies in the fact that it settled once and for all the issue of the struggle between vested private rights and the future development of the country. Every stage-coach, every ferry, every turnpike, every horse-car line, claimed property rights in the business upon which it was engaged. If the introduction of more improved methods of transportation could have been prevented by the mere showing of detriment to existing rights, the nation would still be in the stage-coach era insofar as adverse judicial opinions could stem the tide of progress.

In this decision the welfare of the community was recognized above the claims of groups to special privileges. Insofar as such contracts do not grant specific rights, it read, their terms must be construed strictly in favor of the State, and that in grants by a public agency for private benefit nothing passes by implication. The state not only had rights but duties. "The object and end of all government," continued Taney's opinion, "is to promote the happiness and prosperity of the community by which it is established, and it can never be assumed that the government intended to diminish its power of accomplishing the end for which it was created. And in a country like ours, free, active and enterprising, continually advancing in numbers and wealth, new channels of communication are daily found necessary, both for travel and trade, and are essential to the comfort, convenience and prosperity of the people. A State ought never to be presumed to surrender this power, because, like the taxing power, the whole community have an interest in preserving it undiminished." [123]

The vested interests of the time bitterly denounced the decision as anti-Federal and anti-capitalistic, but actually it was the strongest pro-Federal and pro-capitalistic decision ever rendered, from the standpoint of its long range consequences.

Capitalists are not inherently progressive. On the contrary they feel safest where the principal is secure and the returns certain, and for that reason searches for safeguards against change or disruption. It is only in capitalism during its competitive stages that we see that fierce energy for improving the methods and economizing the costs of production and transportation; while all the time it seeks to monopolize the field ere it succumbs from sheer exhaustion. That is why capitalism, though it owes its development to competition, seeks always to destroy it by monopoly, be that economic or by legal fiat; and when once firmly entrenched, is inclined to sit pretty and hold tight. That is why the monopolists of the early days denounced so bitterly Taney's decision, while in reality it presaged the dawn of a new period in our industrial development on a scale beyond the comprehension of any man at that time.

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[123] Constitutional History of the United States—McLaughlin, p. 465.

Story in his dissenting opinion could not conceive of any surer plan to arrest improvements by private capital than by making investments uncertain under the doctrine of the prevailing decision.[124] Boudin laments at seeing perhaps the most learned lawyer who ever sat on the Supreme Court stubbornly looking backward in search of the correct guide in the interpretation of a constitution establishing a frame of government for many, many generations yet to come.[125]

In a recent symposium on the Constitution under the direction of Conyers Read, one of the contributors, W. Y. Elliott argues for the crying necessity of destroying the great American myth which has been built up around that hallowed document.[126] Such matters cannot be dealt with in general terms. During certain phases of its evolution the Supreme Court has been both the greatest engine of American progress, as well as a broken-down impediment obstructing the great American highway toward the fuller life. We must not overlook the fact that at one time the Court stood out alone in the wilderness holding up what it thought was the beacon light of enlightened nationalism, while to its numerous enemies that was only a dangerous and destructive torch. Only the painstaking study of our constitutional history can disclose the true nature of this distinctive American institution in the science of government.

We can look forward with confidence to the Court's influence as a progressive factor in our future development. The amazing record since the recent re-organization, in effect, of that tribunal indicates that the Court will not hinder progress, but only act as a brake against headlong and headstrong flight into regions unexplored. But this phase of our subject will be dealt with in its proper place.

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[124] Constitutional History of the United States, 1826-1876—Hockett, p. 118.

[125] Government by Judiciary—Boudin, Vol. I, pp. 389-390.

[126] The Constitution Reconsidered—American Historical Association (1938), p. 222.

CHAPTER XII

Manifest Destiny and the Irrepressible Conflict

A. The Impulse for Territorial Expansion

MORE LAND FOR A SOIL-HUNGRY PEOPLE

MEANWHILE the American People were overflowing their boundaries in the never-ending hunger for new land. Starting originally as a narrow strip along the eastern seaboard, hemmed in by the remorseless ocean on one side and the towering Appalachians on the other, its surplus population in time poured through gaps in the mountain ranges and streamed down the rivers and over the impediments of nature to the fertile soil of the Mississippi Valley ceded by Great Britain to the new Republic by the treaty of peace. Naturally the best and most available land was first settled. Water transportation was the historic means for getting about and getting things. It was this necessity which led to negotiations for the opening up of the Mississippi River as an untrammelled waterway for American commerce, resulting unexpectedly in the transfer of the entire vastness of Louisiana by France to the United States.

But the land hunger could not be assuaged. The population was doubling by natural increase every twenty years. To a people overwhelmingly agricultural land, rich, arable, accessible land is the prime necessity for their existence. To the large families of the North the ownership of a farm was the usual expectation of those coming of age. Land was cheap, the soil was fertile, and the West beckoned to all who desired an independent existence. To the Southern planter, the technical processes which had made cotton-growing a source of immediate and enormous wealth, new land and ever more land was a prime necessity. In accordance with the wasteful methods of agriculture the naturally rich, surface soil was soon exhausted and the costs of its replenishment by fertilization were too great. Much cheaper it was to prepare another plot for cultivation on the land already owned, or to move westward with his slaves where land was to be gotten almost for the asking.

It is this exhaustion of the soil which marks the constant moving of the cotton belt ever westward along the southern parallels. So too, did Northern immigrants move westward along the northern parallels. It was the geographical location and physical condition of the soil which determined the character of the social life which was to be established upon it. The Missouri Compromise—to be discussed presently in connection with the slavery question as a whole—had produced the Mason-Dixon Line outward into the new lands, establishing by agreement an arbitrary line which was to divide free and slave territory.

THE IMPROPER CHARACTERIZATION OF EXPANSION AS AGRICULTURAL IMPERIALISM

It is easy for modern writers to describe this westward and southward push uncritically as American Imperialism,[1] though of the agricultural variety. In our days the word imperialism has come to have a definite meaning. We picture not merely the taking of territory, but the exploitation of its resources and of the indigenous population for the benefit of the allegedly superior race. Of this essential ingredient of modern imperialism the westward movement of the American people had not a trace. They came to settle, to produce and to enjoy the product of their labor, or of those upon whose labor they had a legal, and not merely a political claim.

For all practical purposes the land was uninhabited—looking upon the Indian natives as wards of the state in the traditional American manner. Technically, the land subsequently to be obtained was owned by Spain and Mexico; practically, it was an open wilderness or expanse awaiting the oncoming of civilization. The first to experience the onward rush of expanding American civilization was Spain through her possession of East and West Florida. Beard contends, among other modern writers, that one of the moving factors in the declaration of war in 1812 was the Southerners' desire to annex Florida. By every standard of measurement or analysis known to history the facts contradict the assertion. If ever a territory was foredoomed to fall into the lap of another and more vigorous nation it was the Spanish possessions in East and West Florida. Whatever historical basis there might have been to her

[1] The Rise of American Civilization—Beard, Vol. I, p. 391.

claims in the past, they had long vanished with the turn of the nineteenth century.

Florida meant little or nothing to Spain as then constituted; it could not possibly maintain its hold in the only way which history has established through the centuries—that supported by force. Economically and politically it was part of the American national domain. There is such a thing, political innocents to the contrary notwithstanding, as natural boundaries in a state of society where the nation is the unit for both political and economic existence. In Europe the ebb and tide of the centuries has established boundaries, and is still engaged in re-establishing them in accordance with the requirements of dominant national interests in a capitalist society. In North America the natural flow of boundary lines appears to be from ocean to ocean, with latitudes dependent upon the exigencies of war, or tradition, or both.

To the Southwest, the possession of West Florida by Spain was an intolerable situation. Straddling along the Gulf coast, it shut off the territories now constituting Alabama and Mississippi from access to the sea, the essential means of transportation for the people of the hinterland. The Washington government had made every effort to secure that territory from Spain—by purchase, by the assertion of legal rights, and by conquest, both surreptitious and direct.

AMERICAN CLAIMS TO WEST FLORIDA

It is so easy for the intelligentsia to point a finger of scorn at the methods of American statesmanship in rounding out of our existing continental borders. So does McMaster indulge the classical historian's propensity for moralizing by pointing out with a great show of virtuous indignation the defects in the claims advanced by the United States to its title in West Florida. "Had such reasoning been applied to a real estate transaction in private life the folly would have been at once apparent," [2] he concludes with as much warmth as his fish-blooded nature could muster.

It is ridiculous to apply, or rather to invent, a wholly false because non-existent measure of values equally applicable to individual morality and national interests. This does not mean to imply that a nation is not bound by the standards of morality prevailing between nations at a given time. The vital, as distinct from the pecuniary, interests of an individual are seldom dependent upon the ownership of a particular tract of land, but that of a nation often is. The methods employed in the satisfaction of that aspiration may be, and often are, in themselves reprehensible, though the desirable end aimed after seems to justify the means employed. The famous Jesuitical principle is more abused than scorned in international relations. Of course this disregard of the amenities does not leave the perpetrator unscarred; all history is a direct refutation of this thesis of classic political opportunism.

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[2] History of the People of the United States—McMaster, Vol. III, p. 34.

Events often compel the decision, and the concourse of these events are not always in our control. Whatever valid claims Spain once had in the Floridas had lapsed by the progress of events, and it was incumbent upon Jefferson, as it was upon Monroe, to hasten those circumstances which would bring the territories under American control.

Technically the claim asserted by the United States to West Florida as part of the Louisiana purchase was unsubstantial, to say the least. Politically and economically—the true basis of those ideological conceptions of which national morality is a part—it was necessary for our national development. In view of the existing international situation, the mealy-mouthed apologists for fascism under the slogan of returning to the status quo ante bellum, may well pretend to view with consternation the advocacy of such a dangerous doctrine. The historian viewing the past does not advocate but explain, and the incontrovertible fact remains that the Floridas in the hands of a weak nation to whom they meant little, would sooner or later pass into the hands of a virile, progressive nation to whom they meant much.

America's shadowy legal pretentions to West Florida were developed out of the following situation: France as a consequence of the Seven Years' War was compelled to cede to England that part of the Mississippi basin on the left bank of that river and its tributaries. As compensation to her ally, Spain, for losses sustained in the conflict, France gave her the right bank of the Mississippi, known as Louisiana. England also had come into possession of the Florida peninsula during the course of that war.

For twenty years Florida remained under British control, and for administrative purposes she sliced off that portion of the Gulf coast east of New Orleans to its junction with Florida proper, and called it West Florida. It is important to bear in mind that West Florida so-called, was formed out of territory then belonging to England after its direct cession by France. In 1783 by the provisions of the general peace after our Revolutionary War, England ceded to Spain both East and West Florida.

Prior to the consummation of the Louisiana Purchase from France in 1803, Spain was required by a previous treaty to retrocede to France the territory she had obtained from her in 1762. That territory was west of the Mississippi. Spain had received West Florida from England, and not from France. Consequently in the retrocession France could get back only what she had given, and could transfer in turn to the United States only what she had received. By every rule of logic, West Florida still belonged to Spain, and any legal claim to that area advanced by the United States was puerile by its inherent infirmity. So much for McMaster's real estate deal point of view.

That did not prevent the responsible American statesmen from representing that when Spain retroceded Louisiana she transferred at the same time title to that portion of former French territory called West Florida, and that had passed over to the United States with the Louisiana Purchase. The difficulties of the American case are succinctly stated by Henry Adams: "Livingston did not assert that Spain had intended to retrocede Florida to France, or that France had claimed it as included in the retrocession. He knew the contrary; and tried in vain to find some one willing to say that the country to the Perdido ought to be included in the purchase. He made much of Marlois' cautious encouragement and Talleyrand's transparent maneuvers; but he was forced at last to maintain that Spain had retroceded West Florida to France without knowing it, that France had sold it to the United States without suspecting it, that the United States had bought it without paying for it, and that neither France nor Spain, although the original contracting parties, were competent to decide the meaning of their own contract." [3]

To those who look upon history as a logical process all these contradictions are patent absurdities and the American claim should have been laughed out of court. Unfortunately for this Euclidean school of historians, there is an inexorable logic in the events themselves which soon sets to right again these broken up and distorted processes along another channel. To this it imparts the initial impulse until diverted from its course by other factors, which have since developed. The Germans as all the world knows, without ever having previously contemplated it, blitzkrieged Norway on a certain Monday because on the Sunday before Britain had mined those neutral coastal waters, and thus justified her assault upon Denmark, Holland and Belgium.

That American leaders were rather doubtful of the validity of their own claim to West Florida is a mild statement of the case. To expedite matters, or rather to render them more palatable, Jefferson in 1805 proposed and Congress adopted the measure that two million dollars be offered to Spain for the purchase of its possessions east of the Mississippi to which his government had already asserted a legal title.[4] Five more years elapsed without that distracted country acceding to this genteel American pressure.

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[3] History of the United States—Henry Adams, Vol. II, pp. 246-7.

Meanwhile a considerable American colony was established on the American border within sight of Baton Rouge. At a favorable opportunity those adventurers swarmed over the frontier, settled upon the Spanish territory, then revolted against its authority, and after organizing an independent State, asked that they be annexed to the United States.[5] Madison's legalistic soul refused to abide by such irregularities. He issued a proclamation instead taking possession of this territory as the rightful property of the United States under the Louisiana treaty,[6] occupation of which had been delayed, not from any defect of title, but out of consideration for the offended dignity of Spain.[7]

At the same time Madison directed the Governor of the Mississippi territory to put down the revolutionary movement which he rightfully suspected was influenced more by designs for the selfish engrossment of its enormous acreage than out of any patriotic resolve to uphold the claims of the United States. Some of the filibusterers advanced as an additional justification for the annexation, the desire to preclude imminent British occupation of the disputed territory.[8]

POWER POLITICS IN EAST FLORIDA

Significantly enough a similar maneuver was engineered in East Florida two years later on the eve of war with Great Britain. Under the instigation of an American officer, General Malthus, acting upon secret orders of Congress, a body of men had infiltrated the peninsula and organized a revolution on the now familiar pattern. The House in fact authorized the President to take possession of the territory, but the Senate did not think it judicious at the time to run the risk of incurring new enemies at that critical juncture of national affairs, and so defeated the measure.[9]

Motives of expediency rather than abstract moral considerations were the controlling factors in the determination of this policy. During the war of 1812 Jackson invaded Florida, though we were at peace with Spain, but President Madison thought it best to disavow that step and ordered the evacuation of the occupied territory as an unauthorized attack upon the possession of a friendly neutral. Russia was now in league with England and Spain, and it was deemed wisest to prevent diplomatic, if not more serious, complications in another quarter.[10]

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[4] History of the United States—Henry Adams, Vol. III, p. 138.

[5] Ibid., Vol. V, pp. 306-7.

[6] Ibid., Vol. V, p. 311.

[7] History of the United States—Hildreth, Vol. VI, pp. 223-4.

[8] History of the United States—Henry Adams, Vol. V, p. 313.

[9] History of the United States—Hildreth, Vol. VI, p. 311.

With the declaration of peace in 1815 Spain was frank to recognize the realities of the situation. Jackson's acts had been officially disavowed, but she knew well it was only a question of time when the ripe fruit would fall into the expectant hands of the United States, or perhaps be rudely shaken into its lap.[11] Under those circumstances negotiations were begun for the sale of Florida to the United States for five million dollars. This was finally consummated by the exchange of ratifications in 1819. It is interesting to note that to the very end Spain claimed legal possession of West Florida, and in the definition of the boundaries of the territory transferred she insisted upon including both East and West Florida.[12]

It is one thing to surrender one's property by agreement; it is a far different matter to submit to having it filched. And so from the standpoint of the proprieties, the United States was compelled to admit that in a moment of a neighbor's weakness she had pounced upon and deprived Spain of her lawful possession, which the punctilious Castilian was now handing over in a friendly deal on an equitable basis. There is no doubt that Spain departed both with the honors and the cash in this instance, but the United States was left in free possession of the goods with title unclouded.

AMERICAN CLAIMS ASSERTED TO TEXAS

Seldom does a civilized nation wantonly seize upon the territory and property of another; the act may be wanton enough, but it is always concealed beneath the persiflage of diplomatic maneuvers intended to justify subsequent acts. The South had long desired to extend the national domain in the Southwest. As far back as 1805 a proposal was made by Madison as Secretary of State to authorize the offer of five million dollars for Florida and Texas up to the Colorado.[13]

As is customary in such matters, legal claims to possession were advanced to pave the way for renunciation by purchase or otherwise.

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[10] History of the United States—Henry Adams, Vol. VII, p. 211.

[11] History of the United States—Hildreth, Vol. VI, p. 658.

[12] History of the People of the United States—McMaster, Vol. IV, p. 478.

[13] History of the United States—Henry Adams, Vol. III, p. 139.

A French colony had been established in Texas by La Salle and Tonti late in the seventeenth century.[14] The center of Spanish power in New Spain was in the capital city of Mexico remote from this outlying area. To this no man's land American settlers were coming in surreptitiously in defiance of the nominal Spanish authority. In the transfer of Louisiana the French delegates were instructed by their principals to fix the boundaries of the ceded territory as the Rio Bravo on the southwest, which would have included Texas in the cession.[15] However when the Florida purchase was negotiated, John Quincy Adams as Secretary of State accepted the Sabine River instead of the Rio Grande as the western boundary of Louisiana.[16]

This concession was afterward the subject of bitter controversy. It was contended that Adams had given up the territory of the United States in direct violation of the constitutional provision thereto appertaining, which requires an act of Congress to relinquish any part of the national domains. The Democratic Party asserted in its platform that in getting Texas back into the Union the United States was merely re-annexing that which had been illegally surrendered[17] by her own negotiators.

It is fruitless to wander through the maze of these legal entanglements. The simple, if brutal, truth of the matter is that no virile nation will forego its vital interests if it has the power to enforce them. Force has always been the final and ultimate arbiter of international relations in modern society.

Lest there be some who would bemoan what they are pleased to call the rape of Mexico, the fact remains that only the American nation was in possession of the wealth, the people and the initiative to settle upon and develop the vast Southwest. In one way or another the United States was to inherit it, and so finally it did. The fierce energy of this people was bound to overflow upon this territory that lay between it and the Pacific. This gave rise to the "Manifest Destiny" doctrine of the day which believed that the United States was destined ultimately to extend its dominion over the whole of the continent south of Canada, including the islands of the Caribbean,[18] and there were not a few who even included Canada, did the favorable opportunity present for its acquisition by one means or another.

While the present generation may smile at the exuberance of those ox-cart days' pioneers, the fact remains that they finally swarmed over the vast extent between the Mississippi and the Gulf with no other means of transportation. Texas was first to fall before the onslaught. It was an open land over which Mexico, now freed from Spain, exercised but a shadowy sovereignty. A decade under American direction had brought more settlers to Texas than three hundred years of Spanish rule.[19]

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[14] History of the United States—Hildreth, Vol. II, pp. 116-7.

[15] History of the United States—Henry Adams, Vol. II, pp. 255-6.

[16] The Rise of American Civilization—Beard, Vol. I, p. 586.

[17] History of the People of the United States—McMaster, Vol. VII, p. 356.

[18] History of the United States—Rhodes, Vol. I, p. 246.

With the actual mechanics of its transfer to American sovereignty, the bare outline only is sufficient for our continuity. At first these American settlers came by invitation of speculators who had obtained vast tracts by one means or another from Mexico's dictatorial rulers. Fearing the consequences of this large influx of an alien people the Mexican government of Texas was combined with that of another state of Mexico in order to keep control more firmly in central hands. With true Anglo-Saxon spirit, the American settlers then refused to be taxed without control of their government, and in due time revolted from Mexican domination and set up an independent republic. Volunteers were called for from the United States to support the movement. This appeal met with enthusiastic support, particularly in the South,[20] while the United States hastened to extend formal recognition to the Lone Star State.

ANNEXATION OF TEXAS

Upon the winning of independence after inflicting a disastrous defeat to the armies of Santa Anna, the Mexican President, who suffered the fate of being captured, it did not take long for a Texan movement to get started for annexation to the United States.

This was vigorously opposed by many in the United States on two principal grounds. First, it would mean the extension of slavery to a vast territory from which it was proposed to carve four states; [21] and secondly that Congress did not have the constitutional authority to admit into the Union an independent nation whose territory was not part of our national domain.

As to the slavery question, it is significant to note that at one time the Senate rejected annexation with the bulk of the opposition coming from the North.[22] On the constitutional aspect of the issue, the opportunity was not lost for the claim that Texas had once been part of Louisiana, had been unlawfully ceded, and now was returning to the haven from which it had been unceremoniously expelled.[23]

Finally the delicate scruples of both sides yielded to the irresistible appeal of such an enormous accretion to the Union, even though die-hards muttered that if any independent nation like Texas could be absorbed into the Union the door was left open for Kamchatka, Patagonia and the Malay Peninsula to wriggle in under cover of this fateful precedent.

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[19] The Rise of American Civilization—Beard, Vol. I, p. 586.

[20] History of the People of the United States—McMaster, Vol. VI, pp. 262-3.

[21] Ibid., Vol. VII, p. 395. [22] Ibid., Vol. VII, p. 362. [23] Ibid., Vol. VII, p. 396.

Mexico, of course, was out of this picture. Texas had won and maintained her freedom for almost a decade prior to her annexation. But the question arose as to her southern boundary. Quite naturally Texas claimed that her domain extended as far south as the Rio Grande. Mexico contended that it stopped at the Nueces River.

Alcaraz, a defender of the Mexican cause at that time, argued with much learning and reference to indisputable facts that the United States had in a formal treaty in 1819 renounced all further claims upon Spain or her successors to territories beyond the Sabine. He quotes the treaty provision verbatim as self-explanatory which should have put the matter beyond the scope of further debate.[24] Unfortunately for him history is a dynamic and not a logical process.

By 1846 a host of conditions had supervened which rendered that renunciation "forever" out of date. Texas had been heavily settled by Americans; she had fought for and won her independence; she had preserved it for ten years, and voluntarily had been admitted into the Union. The boundary conceded by the United States as regarded Spain need not hold as against an independent Texas; and if Texas claimed to the Rio Grande, it was not for the United States to deny her.

President Polk meanwhile revived the legal argument with convincing precision to those who were already convinced. The United States had once possessed Texas up to the Rio Bravo by French admission upon the transfer of Louisiana; that territory was subsequently lost by the treaty with Spain in 1819; Texas had won her freedom from Mexico; consequently Texas became heir to the dominion previously conceded. Now that she had been re-incorporated into the United States, this country succeeded to Texas' historic boundary.[25] It was all that simple.

THE MEXICAN REPUBLIC RETAINED THE BIRTH-MARK OF HER SPANISH HEREDITY

Since Mexico refused to see the light, appropriate measures would be taken to place the matter before her in a manner which all peoples

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[24] Other Side—Alcaraz (1850), pp. 12-13.

[25] History of the People of the United States—McMaster, Vol. VII, p. 473.

—including our own—understand perfectly. Alcaraz protests against the infamy of such methods.[26] But he should have been the last to complain.

The entire history of Mexico was one of unrelieved and unadulterated oppression sustained by the force of an alien people. Of its seven million people in 1845, four million were pure-blooded Indians, two million were Creoles, one million were whites, mainly Spanish.[27] The social organization had not changed from the days when Cortes conquered the Aztec Empire and established the rule of the Spanish aristocracy.

At the time when our war with Mexico began, the country was ruled by a small group of perhaps sixty thousand Spaniards[28] who aggrandized all its resources economically, dominated with despotic hand a strongly centralized government, and was served by a clergy who maintained an absolute control over an illiterate, superstitious, and therefore profoundly religious people in the commonly accepted meaning of this abused term.

The pure-blooded Indians had changed considerably for the worse during the three centuries of Spanish rule.[29] Their culture had been destroyed; all the arts of their civilization had been lost; the people were reduced to a state of peonage which differed only from slavery in that they could not be sold and transported from their accustomed abode.

With their spirit broken by the cold calculation of the oppressor who ruled the state, in conjunction with the benign policy of the Catholic Church which destroyed their hereditary fortitude, the descendants of the once great Aztec empire were but a sardonic caricature of their former greatness. "The modern Mexican," wrote the noble and generous-hearted Prescott commenting on Humboldt's observation, "broken in spirit and fortunes, bears as little resemblance, probably, in physical, as in moral characteristics, to his ancestors, the fierce and independent Aztecs."[30] These broken people were the mere passive instruments of history in the hands of the ruling hierarchy.

Mexico's independence from Spain was achieved by the machinations of a group within the ruling class and not by the people.[31] In our consideration of the Spanish colonial policy we laid the basis for the subsequent developments of Latin-American history. Independence, freedom, republic, constitution, inalienable human rights, all these terms were strange to the masses, though they were the common currency of a small clique of so-called revolutionaries whose real concern was the engrossment of the privilege to exploit and oppress the great mass of their own population.

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[26] Other Side—Alcaraz, p. 33.

[27] War With Mexico—Smith (1919), Vol. I, p. 3.

[28] Rise of American Civilization—Beard, Vol. I, p. 585.

[29] War With Mexico—Smith, Vol. I, p. 4.

[30] The Conquest of Mexico—Prescott, p. 704.

[31] War With Mexico—Smith, Vol. I, pp. 32-3.

All classes were subservient to that which controlled the state. The great landowners and mine-owners shrewdly played their game, not for the winning hand, but to be on the side of the winner. The commercial class were mostly Spaniards of humble origin who were firmly determined to amass their fortune in the shortest time possible so that they could sooner relapse into the languor characteristic of the upper social strata, admission into which was paved for those whose wealth made up for inferior birth. The Church, as usual, was interested in the maintenance and aggrandizement of its power, to which it directed all the concentrated energy of its virile, because constantly renewed, hierarchy.

At the gates of this vast empire sprawling and sleeping from Guatemala to the undefined reaches of the Oregon territory, came knocking the energetic hand of the American frontiersman. American statesmanship had long been cognizant of this urge ever westward. Our citizens were constantly trespassing upon Mexican sovereignty, which partakes of the nature of all sovereignty in that its pride was in inverse ratio to the intelligence of its rulers, with the result that many settlers were at times imprisoned and their property confiscated. Some were murdered; the house of an American consul at Matamoras had been broken into; our vessels were unlawfully captured, detained and condemned.[32] In short, no self-respecting nation could long tolerate such a situation, and demand was made for reparation. In time arbitrators were selected by both sides with Prussia as umpire and an award of over two million dollars was made in favor of our citizens.

EUROPE AND MEXICO ENTERTAINED LOW OPINION OF AMERICAN MILITARY PROWESS

None knew better than the American State Department that Mexico was in no position to make a financial settlement, and so the Cabinet resolved to send a representative to Mexico City to undertake a very delicate negotiation. Not only was an opportunity to be offered to settle these claims, but a great sum of money was to be turned over to those who constituted the Mexican Government.

This apparent miracle was to be effected through the medium of a slight business transaction. Mexico was to relinquish sovereignty over all the territory north of the thirty-second parallel, while the United States was to offer fifteen or twenty million dollars in payment for this surrender. The American negotiator, Slidell, was empowered by his instructions to go as high as forty million,[33] if the Mexican representatives proved too obdurate, or if too many itching palms had to be greased.

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[32] History of the People of the United States—McMaster, Vol. VI, pp. 458-9.

Apparently there is honor still left among statesmen as well as among thieves. While the Mexican President of the moment, Herrera, was not averse to negotiating with Slidell his Congress was, and soon his government was overthrown by Paredes in one of those typical Latin-American revolutions. Meanwhile Santa Anna, an exiled former President of Mexico, was angling for American support from his retreat in Cuba and was willing in return to cede his country's honor for a mere thirty million dollars, after a formal show of resistance to American demands to be backed up by a military and naval demonstration. Fortunately for our honor, President Polk refused to listen to this plan. Shortly thereafter an appropriate incident was found, made, or invented,[34] and the American army was on its way to the capital of Mexico. It is an act of mercy that Alcaraz, Mexico's stalwart historian defender did not know of these details when he wrote his volume, else the addition of this material to his already white-hot indignation would have made his already intemperate work altogether unintelligible.[35]

As for the Mexicans themselves, they did not hold a very high opinion of American military prowess, in which judgment European statesmanship on the whole was inclined to join. Our army was small and fitted only to fight Indians; the defeats during the War of 1812 indicted its courage; while the navy was insignificant, and that little was undisciplined; such was the consensus of opinion.[36]

In the opinion of the European chancelleries of that day, the American government would be involved in a long and costly military operation which would require the services of a quarter of a million soldiers at an expense of many hundreds of millions of dollars, with derangement of our extensive commerce and consequent substantial material loss to our economy, which Europe was reconciled to face with extraordinary equanimity. Therefore they were inclined to look with cold indifference upon a struggle which would cause so much loss to a nation of dollar worshippers, and bleed its population white in a fruitless struggle which must end in a stalemate.[37]

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[33] History of the People of the United States—McMaster, Vol. VII, p. 434.

[34] History of the People of the United States—McMaster, Vol. VII, p. 438.

[35] Other Side—Alcaraz (1850), pp. 32, 450.

[36] War With Mexico—Smith, Vol. I, pp. 104-6.

CONSEQUENCES OF THE SUCCESSFUL WAR WITH MEXICO

However slightingly European opinion might consider the caliber of the contending armies,[38] they were considerably startled and chagrined that the Americans were uniformly successful in achieving their purpose. Months before the formal outbreak of hostilities the Secretary of the Navy had instructed the commander of our fleet in the Pacific to seize the harbors of California upon the opening of hostilities.[39] Upon the fall of Mexico City before the American forces the way was clear for a dictated peace, resulting in the surrender of the vast territories from Texas and Colorado in the east clear over to the Pacific coast. Fifteen million dollars in cash was paid over to Mexico as a balm for her wounds. A few years later an additional strip was purchased along the southern border of New Mexico and Arizona at a cost of ten million dollars.

In one way or another half of the territory of the Mexican Republic was eventually absorbed into the United States. The war itself had not resulted in any considerable drain upon the national resources. Its total cost did not exceed sixty-three million dollars above the usual expenditures for the military and naval establishments.[40] The highest number of men in the armed forces of all ranks at one time never exceeded thirty-one thousand.[41] Eight times the number of men succumbed to disease as before the fire of the enemy.

Despite the notable gains of the war, it met with considerable opposition in the North where it was denounced as the butchery of a defenseless people, and the rape of an empire for the benefit of the slavocracy.[42] England at one time was disposed to intervene in order to limit the consequences of American success, but was cut short only by her unwillingness to risk the possibilities of military involvement with the United States.[43] While her statesmen were cognizant of divided counsels in the United States as against Mexico, nothing would serve so well to unify the country as the meddling of an interloper in her affairs, particularly England. Meanwhile the rising tide of the revolutionary movement which was soon to engulf most of western Europe was being felt in the strains and stresses of England's social structure, where reform was centered around the Ten Hour Bill for children.[44] Consequently the United States was permitted to walk off with the conqueror's prize in the best tradition of European power politics.

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[37] War With Mexico—Smith, Vol. I, pp. 109-10.

[38] Rise of American Civilization—Beard, Vol. I, p. 608.

[39] War With Mexico—Smith, Vol. II, pp. 305-8.

[40] Financial History of the United States—Dewey, p. 255.

[41] War With Mexico—Smith, Vol. II, pp. 318, 510.

[42] Ibid., Vol. II, pp. 274-6.

[43] Ibid., Vol. II, pp. 299-304.

But there was a difference, a vital and important difference. The United States had not conquered a settled land and proceeded to exploit the indigenous population for its own benefit in accordance with time-honored imperialist tradition. The whole vast territory annexed was virtually empty outside of the native Indians and a handful of white Spaniards who enslaved them.

The American inrush might have been a biological phenomenon as Priestley characterized it,[45] but it was much else besides. There is no such thing as an abstract, timeless and absolute standard of individual, national or international morality. By every standard Priestley or any one else might care to erect, it can be demonstrated that historically the spread of the United States over to the Pacific was justified by the demands of its geography, its economy, and from the standpoint of the highest national interests of that period in our development. To those inclined to see analogies where none exist, the absorption by a young and energetic people of the intervening empty land between the Rockies and the Pacific in 1848 stands on a far different footing than, let us say, the over-running by Germany of the small Scandinavian and Low Countries in Europe.

Much has been made by those unfriendly to the United States of the payment made to the defeated enemy as partaking of the nature of a conscience balm. Farrand concedes that the matter is one of personal interpretation, though he is inclined to describe it as an evidence of American fair play.[46] By every law of the conqueror so well known to history no such payment was necessary; on the contrary, onerous indemnities are generally imposed upon the defeated. It is not too much to say that since the United States was prepared to pay that sum and more before the outbreak of hostilities, now that she had won the prize, she exhibited in victory a spirit of magnanimity and generosity seldom shown in the relations between nations under similar circumstances.

ACQUISITION OF THE OREGON TERRITORY

While the Mexican War was in its early stages, the United States obtained another enormous accretion to its continental domain by the signing of the Oregon treaty with England. Title to this great Northwest territory had long been a matter of dispute between them. Citizens of both nations had settled upon the land from its southern extent to California up north to Alaska. The Russian bear was creeping cautiously but surely down the coast to the consternation of the English-speaking nationals.

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[44] Life and Work of the Earl of Shaftesbury—Hodder, p. 369.

[45] Quoted in Rise of American Civilization—Beard, Vol. I, p. 609.

[46] Development of the United States—Farrand, p. 202.

American claims to this territory were based upon the international rights of discovery, exploration and settlement. As far back as 1791 a fur trader out of Boston sailed up to the mouth of the Columbia River, and after obtaining a cargo of furs carried them to Canton to exchange them for silk and tea.[47] About twenty years later John Jacob Astor, a noted fur trader of the time, organized a company for the exploitation of this industry. Half of the capital was owned by British interests. A settlement was established at Astoria which fell into British hands during the War of 1812. Under the provisions of the peace treaty the United States claimed the recession of the town, and despite the vehement protest of British fur traders, it was handed back to the United States. For many years title to the territory was in dispute between the two countries, and for a time it was under their joint jurisdiction.

Meanwhile American settlers had crossed the forbidding Rockies and had staked out claims to its fertile acreage. Appeals were made to organize the territory as part of the United States. Objection was raised by some Senators that the land was too far removed from the capital to be a desirable addition to the Union, for its representatives would require months of travel to attend sessions of Congress, and would either arrive after Congress was adjourned, or be compelled to remain over and so be removed from the control of their constituents.[48] Others invoked the Monroe Doctrine against England as inhibiting further colonization of the disputed territory by a foreign power.[49]

Henry Clay, in consonance with his cautious policy, advised that the United States withhold her claim until such time as the total of American settlers had increased in sufficient numbers as to withstand any military and naval force which England might bring to bear against them. Britain had strong reserves customarily stationed in China and India, affording her easier access to that territory through the Pacific than the United States possessed over land.[50]

Notwithstanding, England was not inclined to relish the prospect of a military venture so far from her bases, and was favorably disposed to a compromise of the issue by splitting the territory between them at the forty-ninth parallel with adjustments around the mouth of the Columbia and Vancouver Island.[51] However, a vociferous group had arisen which insisted upon the United States retaining the territory up to the latitude fifty-four-forty, or fight.

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[47] History of the People of the United States—McMaster, Vol. II, p. 634.

[48] Ibid., Vol. VII, p. 292.

[49] Ibid., Vol. VII, p. 296.

[50] Ibid., Vol. VII, pp. 293-4.

DISTINCTION BETWEEN AMERICAN NINETEENTH CENTURY EXPANSION AND MODERN IMPERIALISM

Turner alludes to their leaders, such as Cass and Douglas, as imperialists in deference to the popular nomenclature of our day.[52] There is a heaven-wide distinction between modern imperialism and the Manifest Destiny of our Period of Expansion. Giddings, an abolitionist leader of Ohio, supported the extreme of the American demand simply as a counter-balance of future free states against the great accretion of slave territory from the impending annexation of Mexican possessions.[53]

Even the venerable former President Adams supported the House resolution to abrogate the treaty of joint occupation of the territory with England not because he favored the maximum demand, but because he wanted to make sure of the minimum. It is an interesting sidelight that this distinguished member of Congress based his authority for our title to Oregon on the first chapter of Genesis, 26th to 28th verses, and the 8th verse of the second Psalm. A writer of the day asserts that after having the clerk of the House read the passages referred to amid the surprise and amusement of its members, Adams took the floor and "made out a pretty case of it." [54] The abrogation of that treaty was looked upon as opening up the possibility of war, yet it was firmly undertaken despite our involvement with Mexico and the threatening aspect of France. The House vote was 172 to 46, while the Senate vote was 30 to 24.

In Britain, too, a considerable war party was in evidence, and Prime Minister Peel was charged by some as directing his Irish policy with a view to having a free hand against the United States.[55] Fortunately responsible statesmen on both sides to the dispute were loathe to allow matters to drift toward the precipice beyond their control. President Polk spoke bravely about our rights and his general willingness to await John Bull's move in any direction.[56] But privately he expressed great anxiety to his friends that caution must be exercised even if the party were compelled to back down from its intransigence on fifty-four-forty.[57] The British Premier Aberdeen was just as anxious to avoid a conflict, and instructed the Ambassador at Washington to offer a compromise with due regard to English rights.

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[51] Ibid., Vol. VII, p. 301.

[52] United States, 1830-1850—Turner (1935), pp. 551-2.

[53] Ibid., p. 552.

[54] Public Men and Events—Sargent, Vol. II, p. 278.

[55] History of the People of the United States—McMaster, Vol. VII, pp. 409-10.

Under these circumstances a settlement was inevitable, and the boundary line was agreed at forty-nine degrees latitude, with accommodations at the Columbia mouth. Thus did Manifest Destiny come to a close. Within a few brief years the area of the United States had been increased by the addition of Texas, Oregon and the Mexican Cession of almost a million square miles in territory to round out the present continental boundaries of our country.

B. The Irrepressible Conflict

THE SOCIAL TRANSFORMATIONS EFFECTED BY INDUSTRIALISM

From the end of the War of 1812 to the beginning of the Civil War industrialism became established as a potent factor in the life of the American people, fraught with tremendous significance both to the North where the social and economic conditions fostered its growth, and to the South where economic and social conditions inhibited its development.

For industrialism is not only a method of production, it is also a way of life. Way back in the colonial days slave labor was found profitable in the South and uneconomical in the North. It was not on their part any spiritual or humanitarian aversion to that institution which made it peculiar only to the South. In the North it simply did not pay, and all the moralizing upon the evils of slavery came as a by-product. But we are presently concerned with the economic, the social and political consequences of those respective methods of production—industrialism and slavery—on the country as a whole, and upon the particular sections of the country where they predominated.

A few key figures will indicate the extent and pace of industrial growth. In 1815 the number of spindles for the manufacture of cotton was 130,000; in 1860, 5,236,000. In 1810 the production of pig iron in the United States amounted to 54,000 tons; in 1860, to 821,-

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[56] History of the People of the United States—McMaster, Vol. VII, p. 418.
[57] Public Men and Events—Sargent, Vol. II, p. 281.

000 tons. Historically cotton and iron production are the definite indices to the industrial growth of a country. Capitalist enterprise seizes upon cotton manufacture because it is relatively simple, requiring a modest capital outlay; unskilled labor can be employed; while the immediate investment per unit is small, and the product is severable and in universal demand. For those progressive nations possessing suitable iron ore and coal, machine manufacture is a logical step by way of providing both the operating mechanism and the means for power production through the necessary boilers, shafts and transmitting mechanism. Development of transportation generally follows, for the raw materials are seldom found adjacent to convenient streams or established roads. Hence a tremendous impetus is given to railroad construction.

With technological development a new type of labor is required, that of the highly skilled mechanic. But such skill commands high wages, and a powerful incentive is given to generalize among the masses of unskilled and cheap labor the higher intelligence levels which usually accompany intricate mechanical processes. This cooperates with other social factors which make for the spread of public education and of technical schools where the traditional long-term and inefficient apprenticeship method is cut down while simultaneously the general capacities of the student are considerably enhanced. No one yet has succeeded in the economical employment of slave labor in a factory. Furthermore, the slave holders lived in constant dread of insurrection, and therefore education not only was denied slaves, but any one found teaching them or distributing printed matter among them—outside the Bible upon occasion—was severely punished.

In these circumstances it is not to be wondered at that the South was scarcely the place to look for an industrial economy. The evidence clearly supports the theory. In 1860 the total value of manufactures in the non-slave-holding States was one billion seven hundred million dollars, while in the Southern States they amounted only to one hundred and fifty-five million dollars.[58] The contrast would be even more striking if we consider that the manufactures credited to the South were really coal and iron production in what is now West Virginia, and the mining areas of Kentucky and Alabama where slave labor was at a minimum, and used only for the roughest mechanical sort of work. The true South, the South that dominated its section politically and ideologically, was that of the slave-holding planter.

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[58] The above data on manufactures are obtained from Lippincott's Economic Development of the United States, pp. 221-5.

PROBLEMS OF A LABOR SUPPLY CHARACTERISTIC OF THE PARTICULAR MODE OF PRODUCTION

Every epoch of Civilization is confronted with its own problem of labor supply. In the Graeco-Roman epoch it was centered around slavery; under feudalism it was serfdom; and in modern society it is wage-labor. But these generalizations give us only the basic outlines, which are patently insufficient for the purposes of history.

In our discussion of the colonial period we observed the various devices used for the obtainment of a labor supply; nor will this age-old problem ever be settled until the social organization is predicated upon the proposition that no man can live upon the labor of his fellow man. To shift the burden of productive labor upon other shoulders is the ubiquitous goal of modern civilization, and that mode of economy is sought after which will most effectively accomplish that purpose.

But in a land like ours in the period under discussion it was most difficult to obtain the labor of others except by force, as in slavery, or by the offer of inducements sufficient to overcome the lure of an independent existence on one's own farm. The result was that with the progress of industrialism the labor shortage in the North became at times most acute. The native American was hard to handle, and recourse was had to the teeming surplus population of Europe. "This movement across the sea," writes Wittke, "was aided and abetted by the desire of contractors for cheap labor to build the internal improvement projects that were sweeping the United States like a mania in the decades before the Civil War." [59]

IMMIGRATION TIDES TO BUILD AMERICAN INDUSTRY

Roads, canals and railroads demanded imperiously the fructifying hand of man to bring them out of the project stage into the world of reality. The great bulk of free labor employed was supplied by the Irish immigrants. Ireland at that time felt the heavy hand of the English landlord who followed out the systematic policy of clearing the country-side of excess population as he would thin out the trees of his forest preserve.

Under the traditional agricultural economy of Ireland, as of every

[59] We Who Built America—Wittke (1939), p. 131.

feudal regime, the problem was one of how many mouths could the countryside support; but under a capitalist agricultural economy the problem is reversed to read how few mouths are necessary to till the land for a market crop. Thus Marx gives very illuminating data of that time to show the concentration of Irish farms into large estates, and concludes that the Irishman was banished from his native soil by the sheep and ox of the landlord to re-appear, if he survived the process, as a laborer in the young giant Republic of the New World.[60] Immigration he concludes is one of the most fruitful sources of wealth for a young country which receives gratis the labor of the adult that had cost his home land the expense to rear.[61]

Irish immigration began in numbers about 1816 with from six to nine thousand annually. Recurrent crop failures, combined with inspiring letters home from America, started a flood which by 1860 accounted for over one million six hundred thousand newcomers to our shores. They settled in large numbers in the Northeastern States, particularly in the industrial centers of New England, and thus started what has been called the "Roman Conquest" of the old Puritan state of Massachusetts. From 1820 to 1920 over four and a quarter million Irish immigrants came to the United States to add their vital share in the upbuilding of our country.[62]

Germany contributed a powerful current in this never-ending stream of men and women who sought here the freedom and the economic security they were denied at home. From a meager ten thousand in 1832, the current swelled until at the outbreak of the Civil War one and a quarter million had landed on our hospitable shores.[63] Agents of steamship companies, real estate promoters, labor contractors and pressure representatives of the Western States roamed the European country-side holding out such allurements as cheap fares, cheap lands, and the opportunity to become independent, self-respecting farmers in a free land.

Upon reaching port they would trek their way over to the West where to this day their descendants form an important segment of the agricultural population. German artisans crowded into our factories, bringing with them the radical ideas then seething in revolutionary Western Europe; but translated into American ideologies, their social philosophies were, in the main, equivalent to the liberal and progressive American sentiment of the day.

When the slavery question began to clarify itself as the transcendent issue the German element of the population became a bulwark of strength to the Northern cause.[64] German workers were imbued with a spirit of class consciousness yet unknown to the American working class as a whole, and this was one of the contributing factors to the misunderstanding which arose between native Americans and the foreign-born elements. Yet an impartial observer like Turner concedes that many vital social reforms affecting the well-being and the economic and political rights of the industrial masses received a powerful impetus from this immigrant portion of the population.

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[60] Capital—Marx, Vol. I, pp. 782-3.

[61] Capital—Marx, Vol. I, pp. 630-1.

[62] We Who Built America—Wittke, p. 129.

[63] Ibid., p. 188.

The tremendous consequences of this new infusion of foreign-born elements into the American body-politic can be measured by the fact that in 1830 less than one per cent of the American population were unnaturalized foreign-born, while by 1850 it had risen to nearly ten per cent.[65]

RACIAL AND RELIGIOUS HATREDS FOSTERED BY THE "NATIVE" AMERICANISM MOVEMENT

Since bigotry is the most lasting and the easiest aroused of social emotions, it was not strange that a strong anti-foreign movement should be organized among native Americans. Before long the fires of religious prejudice were burning fiercely. The Native American or Know-Nothing party became a factor in politics. This political group was so-called because it was organized along the line of a fraternal order with signs and passwords and fearsome oaths of secrecy.[66] Nevertheless its program of pure and unadulterated one hundred per-cent Americanism would deny the holding of office to any but the native-born, would require twenty-one years' residence for naturalization, and was adorned with a program which was intended to keep Catholics out of the United States in order to preserve this as a Protestant country.[67]

Native Americans organized a riot against the Catholics of Philadelphia on the ancient cry that the flag had been trampled upon by Irish Papists. In noble retaliation the house of an Irish fire brigade was stormed, the structure set on fire, and the flames spreading rapidly, did not burn itself out until fifty buildings were destroyed and several lives lost.[68] In Boston the Ursuline Convent was burned down during a recurrent anti-Catholic outburst.[69]

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[64] We Who Built America—Wittke, pp. 244-7.

[65] United States, 1830-1850—Turner (1935), pp. 579, 580.

[66] History of the People of the United States—McMaster, Vol. VIII, p. 83.

[67] Ibid., Vol. VII, p. 383.

[68] Ibid., Vol. VII, pp. 378-9.

[69] United States, 1830-1850—Turner, p. 77.

THE KNOW-NOTHING PARTY

The Know-Nothing party despite all its dodges was an essentially anti-foreign, anti-Catholic and anti-Irish organization of Protestant nativism. It began its career in New York City as a secret society called the Order of the Star Spangled Banner. With the rapid disintegration of the Whig Party it became the inheritor of its political strength in sections where that organization had once been powerful.

Thus in 1854 when the party achieved its greatest success, the Massachusetts Legislature adopted a law requiring twenty years' residence before naturalization. Under the impetus of such distinguished leadership other legislatures followed suit. When the Republican Party later absorbed most of the dissident factions, one of its gravest problems was to hold on to the nativist element in New England and the justly resentful German groups in pivotal Western States. The Catholic populations in the large Eastern seaboard cities to this day are among the principal supporters of the Democratic Party since those early evidences of bigotry.[70] Tammany Hall and the Irish became synonymous.[71]

THE LOCOFOCO WORKING CLASS POLITICAL MOVEMENT

However the industrial working masses might be divided in their religious beliefs and political loyalties, the pressure of economic realities compelled them upon occasion to present a united front against the exactions of employers, and in the effort to better their condition. If only to prevent the unorganized immigrant workers from strike-breaking and thus depressing the American standard of living, native workers were compelled to accord a measure of equality to the new arrivals.

Though some aristocratic crafts continued their policy of exclusion, the fact remains that among our various social elements, it is the wage-workers who evidenced in largest measure an enlightened spirit of toleration and fair play. They had many problems in common with these foreign-born workers. The reduction of the hours of labor propaganda resulted in a general ten hour movement in which all were urged to participate. Recurrent crises impelled a demand for hard specie payment in place of depreciated paper currency. The Locofoco movement was an attempt on the part of the working masses through the exercise of political pressure to advance their interests by supporting candidates pledged to their program of hard money payment for wages, a liberal education policy, and popular control of government. For a time this element formed a powerful wing of the Jacksonian Democracy.[72]

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[70] We Who Built America—Wittke, pp. 492-4.

[71] History of Labor in the United States—Commons, Vol. I, pp. 465, 561.

The industrial system had ushered in a new phenomenon in American life—the recurrent industrial crisis. Prior to 1837 general hard times had been known. Banks had closed down, merchants were unable to meet their requirements, mechanics were out of work, goods remained unsold, petty artisans could not sell their products, farmers had no market for their produce, while hunger, want and general misery stalked the land. Labor was becoming politically conscious, and so the Equal Rights, or Locofoco Party was organized. It was called so because at a critical moment during their convention the gas lights went out under mysterious circumstances. Nothing daunted, candles were obtained and lit with a match called Locofocos, and so another bizarre name was added to the rich vocabulary of American political nomenclature.[73]

PERIODIC INDUSTRIAL CRISES APPEAR ON THE AMERICAN SCENE

Many explanations were advanced as to the causes of the great crisis in 1837, but none then recognized that a new phenomenon had developed from within the womb of the industrial system. On the surface there was not much to differentiate the consequences of that economic dislocation from that of 1791, or 1809, or 1819. Banks were suspended, cash was unobtainable, workers were paid in depreciated or worthless tokens; all familiar evidences of previous economic derangements. Yet 1819 was due to the break-down of merchant capitalism, while in 1837, the crisis was due to the break-down of industrial capitalism. In the succeeding chapters we will discuss this matter rather fully. But here we desire only to point out its general effects upon the economic and social system of the time.

The panic began in England with a financial crisis as the precursor of the industrial shut-down. With the close of important banks and suspension of payments English cotton manufacturers ran to cover and sold what they had at any price to meet their commitments and thus preserve their solvency. The price of cotton fell from twenty cents a pound to ten cents, a ruinous drop for American planters. A poor wheat crop in the United States raised the price of bread at the very time when workers were being dismissed. Bread riots broke out.

[72] United States, 1830-1850—Turner, pp. 126-7.

[73] History of the People of the United States—McMaster, Vol. VI, p. 366.

The Locofocos called a large mass meeting of workers in New York to consider the situation, and were promptly denounced by the better classes as "foreigners," and "the dregs of society." All right-thinking people approved the calling out of the militia which paraded through the streets with their artillery.[74] New York banks closed down. Valid currency was unobtainable. Usurers plied their trade charging two and a half per cent per month despite the best collateral. Sad to relate, the price of able-bodied Negroes dropped on the market from twelve hundred dollars to three hundred.[75] Surely the end of the world was come!

BEFUDDLEMENT OF STATESMEN AND HISTORIANS CONCERNING THE NATURE OF THE CRISIS OF 1837

The Whigs blamed it all on Jackson's bank policies which favored the small State banks as against the large banks of the rich industrial and commercial East. John Quincy Adams remarked sententiously that it was all the punishment of Heaven for our inordinate addiction to the pursuit of wealth rather than of the eternal verities of life. Webster ascribed all our ills to the fact that there was not enough sound money in circulation, citing an obvious tautology observed during every crisis, which when covered with pompous phrases serves to function in lieu of an analysis. The scarcity of money in settlement of private debt is often accompanied by a total larger currency in technical circulation, though hoarded, to confound these made-to-order theories.

Along the same vein spoke the current President, Van Buren, who ascribed the nation's troubles to over-action in all departments of business and the over-extension of credit; while a distinguished group of business men called together for an inquest upon the distressing conditions made a summary of all explanations, some of which cancelled each other out, and offered it to an expectant public as the mature fruit of the brains which runs the world.[76]

Nor are modern commentators upon current history further advanced in their analysis of this phenomenon which recurs with climactic periodicity in our industrial system. D. R. Dewey recites all the well-known facts, the symptoms of the disease, the manner of its course and the process of gradual recovery. He stresses the mysterious influence of the Specie Circular of the Treasury Department in 1837

[74] History of the People of the United States—McMaster, Vol. VI, pp. 392-3.

[75] Ibid., Vol. VI, p. 399.

[76] Ibid., Vol. VI, p. 413.

which insisted that hereafter only hard cash would be accepted in payment for public lands.[77]

At the same time the government deposits in private banks were being shifted around in order to distribute the national surplus among the States. Dewey is even compelled to fall back upon that outstanding economist Carl Schurz, whose reputation in that respect unfortunately is known only to himself, as authority for the statement that the shifting of hard cash back and forth removed all that currency from circulation and thus took the breath of life out of the money market.[78]

In political economy, as in religion, every explanation is accepted with equal reverence, and every opinion is sacrosanct. Turner in a recent book goes so far as to draw a specific relation between the demand for specie payment and the distribution of the government surplus as the factors which precipitated the panic of 1837.[79] Yet other panics have since occurred where those factors did not exist. It is puerile to assert that each panic is a distinct episode and must be treated in an individualized analysis. It is precisely on this issue that the Historical Field Theory will demonstrate its validity in explaining a modern phenomenon which is distinctive of the capitalist system and is even more devastating than war in its social effects.

Furthermore, the Historical Field Theory will demonstrate in a conclusive and scientific manner that both modern crises and wars are an inevitable outgrowth of the capitalist mode of production by showing exactly how both do, and must, develop by the inherent operation of the laws of social motion which are derived out of the particular social structure reared on the basis of that mode of production. These are big promises to make. But every fair-minded person will concede that if the promise is fulfilled in a manner that will remove them from the debatable ground of opinion and elevate the analysis to the level of scientifically demonstrated proof, then this work will constitute an addition to the store of human knowledge. This entire problem of recurrent crisis and war will be treated exhaustively in Parts Three and Four of this volume.

CONSEQUENCES OF THE DIVERGENT PATHS FOLLOWED BY NORTHERN AND SOUTHERN ECONOMY

In 1857 our people experienced another visitation of the economic plague on a vast scale. There had been minor perturbations during the interim of twenty years from the last great economic disaster. The Democrats experimented with various financial reforms, principally the establishment of an independent treasury system as the custodian of federal funds, instead of depositing them in various State banks that had a habit of defaulting and closing down upon occasion. When the Whigs came into power they promptly repealed that measure, for at heart they were in favor of a strong, privately-operated centralized banking system with branches strategically located in accordance with the requirements of large-scale business.[80]

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[77] Financial History of the United States—Dewey, pp. 227-8.

[78] Ibid., pp. 229-30.

[79] United States, 1830-1850—Turner (1935), pp. 455-6.

Clay was an open advocate for rechartering the United States Bank,[81] while the Democrats when they returned to power were as strongly in favor of a decentralized banking system, which despite its disadvantages, still met the requirements of the small farmer and tradesman.

In the field of tariff legislation the principle was established that no more money was to be raised than was necessary for the government. Though the tariff law of 1842 was high in the rates established, the policy followed in that legislation was not protection but revenue for the government, which found itself with a deficit as a result of the crisis and ensuing depression. The tariff of 1846 was on a free-trade basis and it is significant to note that by this time a distinct cleavage was established in the tariff policies of the sections; New England and the Middle States voted strongly in favor of protection, with the South and West as strongly opposed to it.[82] While there is no doubt that competition with European manufactures inhibited the growth of industry in the United States, the agricultural sections resented the payment of higher prices for the private benefit of American manufacturers.

Nevertheless many factors operated to equalize the position of domestic industrial production toward foreign competition. First, there was a large internal market freed from the barriers usually interposed by independent sovereignties to the exchange of commodities across boundary lines. Raw materials were plentiful, accessible and cheap. The famous Yankee inventiveness was brought into play by the need for circumventing the shortage of labor and its high cost. Hence, the introduction of machinery and labor-saving devices embraced of necessity by the latest producers in the field. This had a most revolutionizing effect not only on the economy but also on the political and ideological superstructure. The result was the development of a society based upon machinofacture in the North while the

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[80] Financial History of the United States—Dewey, pp. 239-40.
[81] History of the People of the United States—McMaster, Vol. VI, p. 546.
[82] Financial History of the United States—Dewey, p. 250.

South still depended upon the nimble fingers and bent torso of Negro labor. Where in the North industry tended to increase the technical composition of capital over its labor content to form a capital of high organic composition, the South was compelled to get along with the crudest tools as mere accessories to human labor.

Marx fully analyzed the tremendous social implications of this process upon the nature of capitalist economy and the development of industrial crises.[83] In the South this revolutionizing process was inhibited by slavery and the social institutions which that mode of economy brought into existence. "It was estimated that in 1842," wrote Eppe, "it was common to have a $10,000 plantation with slaves valued at $50,000 to work it." [84] It is a fundamental law of modern capitalist economy that the technical development of a productive process varies in inverse ratio to the quantity of labor-power employed in it. The South by its very economy was doomed to stagnation even if its political leadership had been the most enlightened on earth.

CRISIS OF 1857

In the North industrialism continued to create as many new problems to take the place of the old ones it solved. Among them were the new phenomena of industrial unemployment, recurrent financial panics, economic crisis and ensuing depression. The period from 1846 to 1857 was one of great industrial prosperity.[85] The Mexican war boom was followed by the discovery of gold in California. Settlers rushed into the new lands wrested from our southern neighbor. Immigrants flowed in a great stream to fill the workshops and to establish themselves on the abundant acres of a virgin soil. Railroad construction was proceeding apace. In 1850 after twenty years of building the total railroad mileage was only eight thousand six hundred miles. By the end of 1855 this mileage had increased to twenty thousand seven hundred and sixty miles.[86] The American market had become a favorite field for European investment. Manufactures were expanded in the general enthusiasm which characterizes boom times.

But the first rumblings of an impending storm were audible in 1854. Over-expansion had resulted in inability to effect the vital cash turn-over so essential to capitalist economy. Credit had been stretched too far. Business houses experienced difficulties in meeting their commitments. Banks failed. Industries shut down. Large numbers of unemployed in New York City petitioned for work or relief. Public housing projects were advocated to take up the slack. And the cause of all this was the money stringency in the opinion of the wiseacres of the time.[87] Of course, a money shortage is always in evidence during such times. Everybody hoards what he can against the fatal day when his payments fall due. If the valid currency were multiplied many times it would not solve the problem.

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[83] Capital—Marx, Vol. I, pp. 671-3.

[84] The Negro, Too, in American History—Eppe (1938), p. 121.

[85] The Financial History of the United States—Dewey, p. 256.

[86] History of the People of the United States—McMaster, Vol. VIII, p. 286.

This 1854 flurry soon passed away. In fact a veritable boom was in progress two years later, for nothing is so infectious as that buoyant confidence that comes from easy-made money. But in 1857 the panic was on. Speculative values evaporated as with a bubble when it is burst. Goods began to move slowly and then stopped for lack of sales; banks met with difficulty in collecting on notes due; credit accommodations were accordingly doled out with a sparing hand; call rates rose for those hard-pressed, living from hand-to-mouth and from day to day, until that source evaporated with the gathering gloom. Banks began to close, and on a fatal day the bank presidents met to decide on suspension of specie payment. Unemployment, hunger and privation again made themselves evident in a land of plenty. Men made desperate by families crying for bread met in the public squares and pleaded for the opportunity to work, or lacking that, for food to bring back to those at home. Soldiers were called out to preserve law and order. The poor starved and survived somehow, though New York City set men to work grading the new Central Park and constructing an adjacent reservoir.[88]

A new insoluble riddle had presented itself to the rising capitalist economy which was rapidly bringing the New World of America, the Old World of Europe, the Ancient World of Asia and the Unknown World of Africa under its sway. The presence of poverty in the midst of wealth is as old as, and contemporaneous with, civilization itself, though quite unknown to prior eras of human society. But human misery growing out of and created by its very productive processes because of its plenty, was a phenomenon brought into existence by the flowering of capitalist economy. We have already noted two such historic crises. We will meet with many more before we consider the greatest and most important of all, that of 1929 and its historic sequelae.

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[87] Ibid., Vol. VIII, pp. 287-8.

[88] History of the People of the United States—McMaster, Vol. VIII, pp. 298-301.

SLAVERY ESSENTIALLY A LABOR PROBLEM

We have now to consider the question of slavery and the significant role it has played in our history. Negro slavery was a labor problem pure and simple, and only one of the historical methods characteristic of civilization in an effort toward its solution.[89] The Negro was brought here to labor, and not because kind-hearted and generous slave-traders wished to rescue him from being slaughtered as a captive of war in his native habitat.

Beard insists that slavery marked an upward stage in social evolution.[90] This conclusion in connection with a discussion of slavery in the United States is utterly unjustified. We are not dealing here with an era of social development where the captives were put to death or eaten. The Negro in his native land was not a savage, but a barbarian, and students of sociology will appreciate the distinction more particularly elaborated by us in a former work. Contemporary African society untouched by "civilization" proves our point.

The American slave trade was conducted on purely capitalistic lines. So much capital was invested; so much of the human cargo was to be carried over in marketable condition; so much was the price to be realized; and so much was to be the profit over and above all expenses including the wear and tear on capital as represented by the investment in ships, stockades, guards, chains and so forth, not forgetting the loss in perishable human cargo, which was cast over-board during the arduous journey.

APOLOGISTS CONTEND SLAVERY WAS FOR THE NEGROES' OWN GOOD

Slavers did not come to rescue unfortunates from their fate in the captor's cooking pot. Slaving expeditions were undertaken specifically by African chiefs on order from traders and in contemplation of the general market for the human product.

J. T. Adams also indulges in that form of apologia for the abominable institution whose stain will never be erased from the annals of our history. But he goes a step further and asks plaintively: "Would the 12,000,000 of Negroes in the United States today prefer that their ancestors had never been enslaved and that therefore they themselves, if alive, should at this moment be living as savages or barbarians in the African jungle?" [91] The question is a little disingenuous. Upon that alternative every American of Negro blood ought once again submit himself to the yoke of any white man with great protestations of gratitude. It would appear, therefore, that benignant slavers brought his ancestors here for the purpose of imparting to them the blessings of our superior civilization, instead of building one upon his bent back and the brutalizing of all his human instincts.

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[89] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 176-7.

[90] The Rise of American Civilization—Beard, Vol. I, p. 650.

[91] America's Tragedy—J. T. Adams (1934), p. 72.

It should rather be said to the glory of the Negro people that they rose above the obstacles of their servitude to imbibe a civilization not because of, but in spite of the determined policy of the white man to the contrary. No one questions the superiority of the American Negro's status compared to that of his African brother. But it is a far different matter to assert that this superiority was attained because of the institution of American slavery, and that the Negro was brought here primarily for his own, and not for his master's good.

On the contrary, if social forces beyond the control of their human agents in the South could have had their way, the status of the American Negro slave would have been infinitely worse than that of their free brothers in Africa who roam the forests and inhabit the villages of their forebears in accordance with their ancient customs and privileges. The old Mammy craze and current glorification of the Old South has infected our historians, but insofar as it is part of the program of appeasing Southern sensibilities some excuse may be found for it. But despite all this historical glamourous nonsense, the fact still remains that the essence of the American slavery institution was a means for solving a definite labor problem at a definite time and under definite conditions which favored or militated against its sectional adoption, and that whatever civilization the Negro absorbed was purely incidental to the main purpose for his introduction into the New World.

Every one of the original colonies tried the noble experiment, and it was found suitable only to a particular section of the country. Its rationalization and justification came later on through the contemptible, if ingenious concoctions of those sweet ministers of God.

"The chief argument in favor of slavery was drawn from the Bible," [92] wrote Rhodes. The best slaves in the South were those who had been innoculated with Biblical lore by the representatives of the slaveholder who would read certain passages aloud to them.[93] It is astonishing that certain other passages from that infallible source inspired the slaves of Rome and some of their masters to the noblest reaches of spiritual exaltation in the common bond of brotherhood.[94]

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[92] History of the United States—Rhodes, Vol. I, p. 370.

[93] Ibid., Vol. I, p. 329.

Our more prudent plantation owners saw to it that few could read, and that those who did, read what was proper for their souls. In North Carolina, South Carolina, Georgia, Alabama and Louisiana it was forbidden under severe penalties to teach Negroes to read and write, while in Virginia none but the owner himself was privileged to undertake James Truslow Adams' burden of transmitting civilization.

It is needless to stress that the Virginia law did not compel the master to undertake this self-sacrificing duty. At the same time it is important to note that any slave with abolitionist literature, or found agitating among his fellows was summarily dealt with in the delightful code of the grand Southern gentleman. This included knocking out the front teeth with a hammer for slight offences, to eye-gouging, maiming, cutting off a hand or hanging, all in the approved Southern manner, to suit the most punctilious taste or refinement of breeding.[95] Any white man caught circulating abolitionist literature was severely punished, while the informant effecting his arrest received a standing reward of $5000. All vessels stopping in Southern ports were watched lest they bring in objectionable reading material.[96]

J. T. ADAMS APPLIES PSYCHOANALYSIS TO THE SOUTHERN PLANTER

In keeping with the psychoanalysis fad from which happily the intellectual world has since recovered, J. T. Adams delves into the subconscious of the Southern planter's soul for the elements of his own literary apologetic. Now, we can all sympathize with the spirit of letting the past bury its dead, but the classical historian by the nature of his work constantly resuscitates them in order to recreate what he thinks are their thoughts, their acts, and their secret motivations. Fortunately, the Historical Field Theory renders such a procedure unnecessary, for it considers social forces as the paramount moving factors operating through human agents who are acted upon and react to these impulses created by social relations of which they themselves are a part.

Adams probes beneath the proud, haughty and charming Southerner, to discover a Sub-Conscious suffering badly from an inferiority complex; and that the polished manners, the grand gestures and delicate regard for the queenly virtues of womanhood—in the white—was the dream world they deliberately created to ward off the ravages of their conscious inferiority.[97]

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[94] History of European Morals—Lecky, Vol. II, p. 69.

[95] History of the United States—Rhodes, Vol. I, pp. 308-9, 325-7.

[96] Georgia as a Colony and State—Johnson (1938), p. 317.

It is a tragic picture nobly delineated but false in its core to every established fact of the time and the known reactions of the human heart and brain. The world did not have to wait for Freud to delve into the depths of the hidden recesses of the human psyche. It is curious to note that his disciples have gone far beyond the intentions of the master who spoke strictly of cases and individuals and was reticent in generalizing from a particular individual to an entire social group.[98]

If the Southern gentleman thought of himself as belonging to a superior race, certainly as against the slave over whom he held the power of life and death, but equally so towards the poor whites of his section, or the bumptious uncouth go-getter of the North, it is not because he played the role of the feudal baron to drown out his consciousness of inferiority, as Adams asserts. Rather like the feudal baron, since we must indulge in similes, he looked with benignant contempt upon the scribes, the poets, the writers of books in the North and the intelligentsia in general, whose social sphere could not be compared to that of the absolute Southern potentate on his lands.

That universal ignorance is not incompatible with pride and polished manners, but on the contrary usually accommodate and accompany each other, is the common quality of the landed aristocracy. One has but to read Macaulay's luscious description of the country gentleman in the England of 1685 to see mirrored in them the ignorance, pride, pomp and stupidity beneath the fine airs of the Southern planter.[99] One should compare that with the equally literary description of the country life of a Virginia gentleman by Fiske,[100] or the less inspired pages of McMaster to recognize these as brothers despite their different coats.[101] However, the English gentleman was a magistrate and administered a rude patriarchal justice under constitutional law, while the Southern planter knew only the law of intimidation and terror which eventually flowered into lynch law, when the Negro's body no longer represented for him a definite quantum of his capital property.

[97] America's Tragedy—J. T. Adams (1934), pp. 94-5.

[98] Writings of Sigmund Freud, p. 543, Mod. Lib. Ed.

[99] History of England—Macaulay, Vol. I, pp. 350-3, 407.

[100] Old Virginia and Her Neighbors—Fiske, Vol. II, pp. 233-45.

[101] History of the People of the United States—McMaster, Vol. II, pp. 5-7.

THE CLASSICAL HISTORIAN BLAMES THE COTTON GIN FOR THE SPREAD OF SLAVERY

Historians like to beguile themselves with the pleasant thought that slavery was on the way out in the United States toward the close of the eighteenth century, had it not been for the invention of the cotton gin. The major blame must therefore attach to a material thing and not to the social institutions which use that thing. There was nothing inherent in the cotton gin which made the spread of slavery inevitable, but rather the manner of its employment under definite social conditions which were not ordained by God, but were distinctly the handiwork of men.

Eppe writes that the cotton gin put new life into slavery which otherwise would have died out in one or two generations.[102] But before cotton was even known tobacco was the staple of the South, with rice and indigo following as the products which engaged slave labor.[103] When Washington was inaugurated cotton had barely passed out of the experimental garden stage,[104] yet of the four million inhabitants of the country at that time, seven hundred thousand were slaves.[105] Egypt, too, grew cotton without resorting to slavery.

True, Fiske tells us that Washington, Jefferson, Madison and Mason were earnestly hoping that their own State would soon be freed from the curse of slavery,[106] but neither Fiske nor the great humanitarians whom he mentioned indicated exactly how their labor was to be replaced. Just the contrary, Washington in his will recognized the practical legal and social problems which presented insuperable difficulties to the emancipation of his own slaves even at his death, and it must be conceded that under the existing social conditions these reasons were as real as they were weighty.[107]

Seldom, if ever, even with the most absolute of despots, are social forces amenable to individual fiat. The will of the dictator, if contrary to conditions of the socitey of his time, may be as potent as the extent of his arms, but if the will weakens or the arms palsy, it will not take long for reaction to set in. So Fiske is compelled to inform us that the well-intentioned anti-slavery party in Virginia was short-lived, and that the seigneurs of the Old Dominion, after the importation of slaves had been abolished by constitutional limitation in 1808, turned their estates into breeding places of the human product for the general market. With that the very word emancipation could no longer be expressed in the polite social and deeply religious circles of the South.[108]

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[102] The Negro, Too, in American History—Eppe (1938), p. 120.
[103] History of the People of the United States—McMaster, Vol. II, p. 4.
[104] Ibid, Vol. I, p. 62.
[105] The Negro, Too, in American History—Eppe, p. 118.
[106] The Critical Period in American History—Fiske, p. 259.
[107] Life of Washington—Irving, Vol. IV, pp. 398-9.

COTTON PLANTING MERELY EXTENDED THE SCOPE OF THE SOUTH'S PECULIAR INSTITUTION

The phenomenal increase of cotton production from four thousand bales in 1790 to three million eight hundred thousand bales in 1860 [109] is the conclusive answer to the question why the number of slaves increased from seven hundred thousand to four million during the same period. So, too, did the price of a first-class slave for the cotton fields rise from two hundred and fifty dollars to between fifteen hundred and two thousand dollars.[110] But all this does not place the onus for the continuance of slavery on Whitney and his cotton gin; it only accounts for its extension.

Slavery would have continued in the South, cotton or no cotton, because the social conditions created by the prevailing social structure of the South were predicated upon that institution. It is beside the point to emphasize, as Seward did on the eve of the Civil War, that the whole country was to be engulfed in blood and terror for the sake of only three hundred and forty-seven thousand slave-holders, large and small, in the entire South.[111] In 1850 out of this number of slave-holders, seventy thousand owned only one slave, one hundred and five thousand owned less than five, eighty thousand owned less than ten, fifty-five thousand owned less than twenty, while eight thousand owned a hundred or more.[112] The power of the slavocracy is not to be gauged by the numerical specific gravity of its component parts. The great mass of the superior race were noble, if poor. Six or seven million whites in the South possessed little else but their white skins.[113]

Historical problems are decided by the balance of social forces and not by the processes of referendum. These slave-holders were the life of the South. They dominated its government, its politics, its ideologies. When the irrepressible conflict came, there was not lacking the exalted inspiration of noble ideals and lofty principles to spur the poor whites into combat. So did the serfs fight in the ranks of the barons for the support of a system which practically enslaved them.

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[108] Old Virginia and Her Neighbors—Fiske, Vol. II, p. 191.

[109] Economic Development of the United States—Lippincott, p. 177.

[110] Ibid., p. 177.

[111] The Rise of American Civilization—Beard, Vol. II, p. 7.

[112] The Impending Crisis of the South—Helper, p. 146.

[113] History of the United States—Rhodes, Vol. I, p. 345.

Economic determinists experience the greatest embarrassment in considering this phase of history. They emphasize tariffs[114] which burdened Southern consumers, and homestead policies which limited the territorial spread of the South's peculiar institutions.[115] All these are important factors, but in themselves they cannot explain the historical phenomena of the period.

The South, at best, was a small consumer of manufactured products. The protective tariff added but little, and for most not at all, to the expenditures of its people. As an overwhelmingly agricultural community where physical labor preponderated, their need for manufactures were small; and as for the aristocracy the duties imposed on their imports was but an insignificant fraction of their total budget. The tariff of abominations, so-called, was only a political talking point.

Were the tariff the only issue outstanding between the North and South, the Civil War would not have darkened the pages of our history. It is a fact that the West of that time, including the territory north of the Ohio, was anti-tariff, but at the same time strongly anti-slavery and overwhelmingly against its extension. Slavery had become a moral issue, and much as our modernist historians are loath to ascribe to moral sentiments an influence which outweighs economic considerations, the fact still remains that the Abolitionists as a group and their myriad sympathizers, had nothing material to gain by the abolition or the limitation of Negro slavery.

MORAL CONSIDERATIONS AFFECTING NORTHERN ABOLITIONIST SENTIMENT

That the material conditions of life in the North were unfavorable to the institution of slavery has been adverted to many times in these pages. There is no denial of the fact that these very conditions offered a favorable soil for the development of that mode of life and its accompanying moral sentiments which held human bondage in abhorrence. But it is one thing to speak of the material conditions of life; it is a far different matter to emphasize the economic motive as the self-sufficient impulse for affirmative action. One has but to read of the religious fervor and saintly devotion of many among the Abolitionists to learn that of all motives which impelled action even to the ultimate sacrifice, the moral factor far outweighed any other.

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[114] Political and Social Growth of the United States, 1852-1933—Schlesinger, pp. 41-2.

[115] The Rise of American Civilization—Beard, Vol. II, p. 37.

Few indeed, in comparison, have offered their lives to save their property, while countless numbers have given their all when stirred by the devouring impulse of some lofty emotion. It is needless to refer particularly to the sacrifices of such leaders as Lovejoy, and Garrison,[116] nor of the mass movement which made Kansas the sanguinary battlefield of the partisans in the prologue to the main drama; nor to the system of the underground road which led slaves from the South to freedom. Whatever one may think of John Brown's methods, his life as a whole, as his bearing at the trial and on the scaffold entitled him to rank among the noblest martyrs to human progress.[117]

THE UNDERGROUND RAILROAD

However meanly Boston may have treated the earlier Abolitionists, the Boston on the eve of the Civil War had risen to the majestic heights it attained on the eve of the Revolution. . . . The year was 1854. A Negro slave named Burns had escaped and was domiciled in Boston. An agent of his master recognized him, had him arrested under the provisions of the Fugitive Slave Act, and Burns was ordered to be returned to his owner. The inhabitants of the city were thoroughly aroused. A movement was set on foot to free the captive, but the authorities were apprised in time and ordered out a large body of police together with twenty-two companies of Massachusetts soldiers to guard the route along which the prisoner would be taken to a United States revenue cutter bound for Virginia.

Dense crowds lined the streets through which Burns passed, surrounded by a United States artillery battalion, one platoon of United States marines, a marshal's posse of one hundred and twenty-five, together with three platoons of marines around a fieldpiece. "Windows along the line of march were draped in mourning; from a window opposite the old State-house was suspended a black coffin on which were the words, 'the funeral of liberty'; further on was an American flag, the union down, draped in mourning. The soldiers' procession was witnessed by fifty thousand people, who hissed, groaned, and cried 'Shame! shame!' as it went by." [118] In this graphic and moving description existed every element which entered into the making of the Civil War.

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[116] United States, 1830-1850—Turner, p. 465.

[117] History of the United States—Rhodes, Vol. II, p. 405.

[118] History of the United States—Rhodes, Vol. I, pp. 504-5.

It was obviously staged by the very law-enforcing agents who desired to bring out every disagreeable element of a distasteful duty which had to be performed, while the arrangements of delivery were intended in themselves to be a burning protest against the deed. When both the people and its law-enforcing agencies feel so profoundly upon a social question the time is not far off when a far-reaching transformation is at hand.

Who can say whether an untoward movement among the people there assembled tending toward the prisoner's release that the soldiers would have fired upon them? Once the soldiers sympathize with the masses whom they consider like themselves, then the revolution is not far off. So was it in France of 1789; so was it in Petrograd in 1917. Our Civil War was not a revolution in that technical sense, but its consequences were as equally profound.

HENRY CLAY ON THE CATEGORIES OF ABOLUTIONISTS

Henry Clay in one of his great orations divided the opponents of slavery into three classes. The first class were the philanthropists who opposed it on conscientious grounds. The second class were equally conscientious but genteel and well-behaved about it, like the Quakers. Clay had not the slightest objection about presenting the very virtuous petitions of the second class so long as nothing of consequence was to be done about it. John Quincy Adams graced the concluding years of his life carrying on an almost single-handed struggle for the right to present Abolitionist petitions, though he himself was not an Abolitionist,[119] and Clay looked benignantly upon that class among the opponents of slavery.

The third class were the real ultra-Abolitionists who were resolved to persevere in the pursuit of their objectives at all hazards, and without regard to consequences, however calamitous. "With them," protested Clay, "the right of property is nothing; the deficiency of the powers of the general government is nothing; the acknowledged and incontestable powers of the States are nothing; a civil war, a dissolution of the Union, and the overthrow of a government in which are concentrated the fondest hopes of the civilized world, are nothing." [120]

Here is the essence of the political philosophy of the man whose ideas dominated the national policy on the slavery question for thirty years. He himself expressed his abhorrence for involuntary servitude; but he considered that question closed for the United States government for all time. The slaves were here, and were here to stay, was his position. There was no way of removing them to the land of their origin, nor would they care to go there if given the opportunity. Gradual emancipation had proved impractical.

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[119] America's Tragedy—J. T. Adams, p. 127.

[120] Speeches of Henry Clay, Vol. II, p. 398 (ed. 1843).

Clay's state of Kentucky had been disinterested when the question was submitted for referendum,[121] while the South as a whole was opposed to emancipation with compensation, but under outside pressure.[122] If the choice lay between the black race and the white race, he would fight for the race which built up America and the institutions for whose benefit this government was created. Abolition would destroy the Union, and while he hated slavery, the love for the Union countervailed the meaner passion. Such was the essence of Clay's political philosophy.

For its time it was the program of profoundest statesmanship, but Clay refused to recognize that that time was historically conditioned by the realities of the political situation during the Period of Expansion, and would end when those conditions had given way to the need for another political arrangement in accordance with the changing circumstances of the unfolding years.

An English observer of the time, the Earl of Shaftesbury wrote in his diary the prediction that slavery, being an irreconcilable contradiction between the North and South, would result in the disruption of the Union and the formation of two mighty independent States, with the industrial North the more powerful of the two, and a monarchy to replace the republic in both.[123] Mommsen, the great German historian, drew a comparison between the United States and ancient Italy when that peninsula was filled with swarms of slaves whose masters ruled the state by manipulating a poverty-stricken proletariat dependent upon them for alms. That, he predicted, would be the dragon-seed of the American system of slavery when it would fully ripen and the world would have again similar fruits to reap.[124]

Clay, Shaftesbury and Mommsen failed to consider each in their own way that American society was in a progressive state and could not be canalized for eternity; and that the experiences of Republics in past ages were not the infallible guide-posts for mapping the future career of a democratic state organized upon the basis of nineteenth century capitalism. However, this does not detract from the statesmanlike qualities of Clay's contribution to the stabilizing of the American Union during the dangerous period when his wise counsel and practical compromises constituted the firm pillars of its support.

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[121] Ibid., p. 412.

[122] History of the United States—Rhodes, Vol. I, p. 381.

[123] Life and Work of the Earl of Shaftesbury—Hodder, p. 454.

[124] History of Rome—Mommsen, Vol. IV, p. 621.

POLITICAL ADJUSTMENTS INTENDED FOR ETERNITY FREQUENTLY DO NOT OUTLIVE THEIR AUTHORS

Both the North and the South were quite willing to abide by the status quo on slavery as it existed before 1820. By tacit agreement representation of both sections was equalized in the Senate by the admission into the Union of a new State from one section to counterbalance the other. As for the House it was already quite obvious that the North would preponderate in its composition since its population was increasing at a much faster rate. So when Maine applied for admission, the usual legislative procedure was followed by tacking on an amendment to include Missouri.

Instantly the North was aroused at the proposition for extending slavery into the new territory acquired through the Louisiana Purchase. People who were reconciled to that labor system where it already existed, found strong cause for resentment at the thought of allowing its further spread. Public indignation in the Middle States and New England was expressed in impressive form through the adoption of resolutions by Legislatures, mass meetings, city councils, grand juries and other organized or quasi-official bodies. Even in the west, such new States as Ohio and Indiana declared their firm resolve against the spread of slavery west of the Mississippi.[125]

Finally through the indefatigable efforts of Clay wherein he exhibited his genius for composing apparently irreconcilable differences, the Missouri Compromise was effected by which the Mason-Dixon line was extended into the Louisiana Territory to form the dividing line between free and slave territory, with the exception of Missouri which was to come in a slave state.

The historic significance of this struggle lay in the fact that a firm and final cleavage was drawn between the two great sections of the nation, and that henceforth they were to develop along their respective lines carefully watching each other, suspicious of each other's intentions, though outwardly maintaining an attitude of indifference to a problem that was formally to be considered as settled for all time.

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[125] History of the People of the United States—McMaster, Vol. IV, pp. 578-9.

But how long was that to be? History has its own ways of solving these perplexing conundrums. The after-math of the Mexican War was the acquisition of enormous stretches of territory, and the question arose once again as to their status regarding slavery. Many things had happened to the young Republic during the intervening years between the Missouri Compromise and the time when the great triumvirate, Clay, Webster and Calhoun met for the last time in the arena of Congress to compromise the question of slavery as it applied to the newly-acquired possessions of the United States. Industrialism had taken a firm hold in the North. Its wealth and population far outranked the South. Life there was throbbing along at a rapid pace, and altogether the buoyancy of a people at the threshold of its greatness permeated the spirit of its existence.

In the South stagnation had already set in. Its life-processes were fixed, and while the horizon might be extended, there was nothing new to be found there, and what is worse for a people, nothing new was desired. Cotton indeed was King, and the South was compelled by its single cash crop system to yield to its inexorable demands.

These demands were two—more land and more slaves. There was no escaping them for the average planter. The soil wastefulness of a pioneer people is traditional, and was in evidence in all agricultural sections of the country except among the thrifty New Englanders and in the Middle States where the German and Dutch element predominated. Both the Northern and Southern miners of the soil—that incredible wastefulness which robs the surface elements of its centuries accumulation of rich mineral and bacterial content after several exhausting crops without effort at replacement [126]—felt impelled to move on ever westward in search of virgin lands for their further depredations. Each section brought with them their typical institutions to this new land.

Theoretically, legally and constitutionally, slavery had as much right to extend its sphere as did that of the independent farmer. But there comes a time when abstract rights must justify themselves before the bar of history or be swept aside. History knows of only a single ultimate arbiter-force. Economic determinists are limited by their very theory to stressing the direct economic basis of the inevitable conflict. To this day they have been unable to present an intellectually satisfying explanation of the Civil War. The impending conflict had its causes deeply imbedded in a profoundly moving moral issue, and no amount of ingenious theorizing can destroy that basic fact. In their analysis of the complication of factors leading up to the great Civil War the classical historians are far more convincing than the specious improvisations of our modernists.

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[126] Soils and Men—Agricultural Yearbook, 1938, pp. 380-4, 423-4.

C. Drawing the Line of Conflict

WHY CAPITALISM AND SLAVERY ARE INCOMPATIBLE

It is unnecessary at this late stage of our discussion to stress that capitalism and slavery are incompatible. When Schlesinger talks of cotton capitalism [127] he evidences that he understands neither capitalism nor slavery. Scientists cannot afford the luxury of poetic license in their exact descriptions. It is not surprising, therefore, when he completes the cycle by speaking of this very same society as semi-feudalism.[128]

Slavery, feudalism and capitalism represent three distinct modes of production wherever they prevail, and the existence of one precludes the other in the description of the same economic process. Of course, all three can, and have, existed side by side in the same society, as in ancient Greece, but one was the dominant and prevailing economy. The mere fact that a Southern slave-holder invested money in slaves did not make his a capitalist economy. A man may invest considerable money in decking out his spouse without making her a merchandisable commodity. Usually it is the other way around in proportion to the amount of such expenditures.

The distinctive demarcation between capitalism and slavery is this: Under capitalism the wage-worker sells his labor-power from day to day, or week to week, reserving at all times the right to leave at any time and for any place, being liable at best for breach of contract and for money damages, but not for compulsory labor. Even then the courts construe labor contracts very strictly in favor of the worker in order to preclude a status involving, in effect, one of involuntary servitude. The slave economy is characterized by the outright purchase once and for all of the commodity labor-power, and with it necessarily the body of its possessor as the chattel of the owner.

Southern apologists were quick to draw an analogy between the virtual slavery of the average industrial wage worker and that of the chattel slave,[129] leaving out, however, the all-important specific difference of freedom. To some that freedom may be more theoretical than real. The great critic of the wages system, Karl Marx, shows how real that difference is in the processes of historical development. In the accounts of the slave-holder the human chattel is figured as so much constant capital which undergoes gradual depreciation and must ultimately be replaced by another in his stead.[130] The slave laborer is himself capital, something which the worker in a capitalist economy can never become; a fact which is in itself of epochal importance in the history of Civilization.

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[127] Political and Social Growth of the United States, 1852-1933—Schlesinger (1937), pp. 26, 27, 31, 100.

[128] Ibid., p. 121.

[129] Many instances are cited by Rhodes in his "History of the United States," Vol. I, p. 20.

To the Southern planter the investment in human material constituted a labor supply at a rate of exploitation which no capitalist economy could approach; while in full justice, it represented a character of labor that because of its inefficiency no industrial economy on a capitalist basis could afford to employ. "The basis of slavery stands in contradiction with the nature of capitalist production," [131] concluded Marx. To the Southern planter this too was the decisive, the all-important and all-compelling consideration of his blessed "peculiar institution." He bought his laborer lock, stock and barrel once and for all, while it cost him only thirty dollars a year to maintain him.[132]

These figures are vouched for by the most painstaking investigation. That sum included everything; his food, clothing, shoes, and bedding. Turner must have been abashed when he read those figures and felt impelled to raise that amount to fifty dollars, adding the difference in order to include medical care. That would have made the South with its four million Negroes the healthiest place in the world with an annual medical bill exceeding that actually spent by the entire country. Apparently this good-hearted historian had not heard of the famous army pill which cures every human ailment from asthma to zygomitis.

The miserable Negro huts were not fit to shelter cattle. Overseers whom Patrick Henry described as the most abject, degraded and unprincipled of the human race,[133] saw to it that the most was gotten out of the slaves at the least expense.[134] Therefore there was developed the system whereby the labor of even the smallest child could be utilized, if only in a vegetable patch from which the slaves were fed by produce of their own labor. Meat rations were doled out to the heavy workers with a sparing hand,[135] and the overseer exercised as much ingenuity in their classification and apportionment as does the freight classification booklet of a railroad when charging what the traffic will bear. The first cost of a slave was the largest cost by far for the Southern planter.

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[130] Capital—Marx, Vol. I, p. 593.
[131] Capital—Marx, Vol. III, p. 914.
[132] History of the United States—Rhodes, Vol. I, pp. 305-6.
[133] Quoted in Stroud's Slave Laws, p. 74.
[134] History of the People of the United States—McMaster, Vol. VII, p. 239.
[135] History of the United States—Rhodes, Vol. I, p. 305.

Southern justice for the Negro was the ultimate ideal in speed and efficiency. Only white men, usually planters, were on the jury. "When a jury declared a Negro guilty," writes Amanda Johnson, who is a professor in the Georgia State College for Women, "punishment was to follow immediately, except in the case of a capital crime, when the case might be appealed. The pardoning of Negro criminals was rare. One such case was found in 1792 and another in 1797, but none in the nineteenth century." [136] Lynch law did not even trouble to bring the accused to trial, a fact which the genteel professor prudently forgot to mention.

Slavery was an economic institution founded in greed, maintained by intimidation, nourished by grossest exploitation, supported by constitutional statesmanship, and justified by all that is holy from God's Writ itself. This was the institution that the great political leaders, Clay, Calhoun and Webster, agreed to extend in certain areas of the Mexican Cession, impelled in their actions by the over-riding resolve to maintain the Federal Union.

INEFFECTUAL NATURE OF SLAVERY COMPROMISES

According to the terms of the Compromise of 1850, California was to come in free; the slave trade was to be ended within the shadow of the Capitol itself in the District of Columbia; the status of New Mexico was left open; and lastly a drastic Fugitive Slave Law was to be adopted. But matters had gone far beyond the careful concern of statesmen or the wiles of politicians.

Four years later the same issues arose over the question of slavery in Kansas and Nebraska, part of whose territory was contained in both the Louisiana and Mexican accessions to the national domain. The statesmanship of Clay who did entertain profound moral convictions upon the national welfare had given way to the improvisations of a political conjurer like Douglas.[137] By the terms of the compromise he evolved in 1854, the question of slavery was to be determined by the voters of the respective territories.

Nebraska geographically could be none than a state of independent farmers, while Kansas was debatable territory. Instantly both

[136] Georgia as a Colony and State—Johnson (1938), p. 314.

[137] History of the United States—Rhodes, Vol. I, pp. 430-1.

factions sent their partisans into those fertile plains for the purpose of capturing the state government. The sanguinary struggle which followed gave those plains the name of "Bleeding Kansas." Without intending it, Douglas had repealed the Missouri Compromise though he claimed that had been done four years before by the authors of both compromises of 1820 and of 1850.[138] This question is of interest only to the dry-as-dust antiquarians. It is surprising that Farrand should ascribe so much importance to this matter.[139] By one way or another, all roads had to end in the ultimate conflict.

From 1854 on to 1860 the country was marking time. One incident or another merely added to the pent-up fury when the issue would be fought out, as every one felt that it ultimately would be, on the question of slavery or no slavery. No matter how diplomatically the question might be framed, or upon what immediate circumstance the final break would come, the evolving conditions of American life had hardened the minds of men on the proposition that the Federal Union, could not long stand as a house divided against itself.

Either two nations with a separate system for each, or a united nation with a single system for all. The dualism of compromise had run its historic course from the Constitutional Convention to the final Kansas-Nebraska Compromise. The Republic had now grown up. The final and irrevocable choice had to be made, and all that followed from 1854 to the first shot at Fort Sumter simply prepared the ground in that cautious maneuvering for position which would place the stigma of the aggressor on the other side.[140]

The Dred Scott decision would not have affected the situation one way or another, or even if it had never arisen. The facts in the case in themselves raised no question of great moment, involving the matter whether a slave upon being removed by his master to a free State by which he won his freedom, lost it again when he was taken back to the State of his birth. Nor did the fact that Chief Justice Taney went out of his way to declare the Missouri Compromise of 1820 unconstitutional affect the slavery question in any vital aspect except to add to the general uneasiness.[141] So far had the North crystallized its moral indignation over slavery that where in 1790, over forty thousand slaves were to be found in the territory north of the Mason-Dixon Line, each succeeding decade saw the dwindling of that number until in 1850 only two hundred and fifty-six slaves were still there, while the 1860 census actually showed none.[142]

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[138] History of the People of the United States—McMaster, Vol. VIII, p. 199.

[139] Development of the United States—Farrand, p. 216.

[140] History of the United States—Rhodes, Vol. II, p. 357.

[141] Government by Judiciary—Boudin, Vol. II, p. 22.

THE REPUBLICAN PARTY DESPITE ITS CONTRARY PROTESTATIONS WAS COMPELLED TO BECOME THE ANTI-SLAVERY PARTY

By 1856 the moral sentiment of the North had concentrated around the Republican Party as the anti-slavery party. The necessities of political strategy required the toning down of the issue, but there was no mistaking what the success of that party meant. Longfellow, Bryant, Curtis and Washington Irving took active part in its first national campaign. The religious press was overwhelmingly on the side of the party which opposed only slavery extension, but whose success all somehow felt would be the doom of the South's peculiar institution even in the deepest recesses of the Cotton Belt.[143]

Beard insists upon dragging in the tariff question as a decisive factor.[144] It is safe to assert that not one voter in ten cared about it, and not one voter in a hundred understood it. In peremptory contradiction to Beard's contention, Rhodes flatly declares that "outside of Pennsylvania and New Jersey one hardly heard the tariff question mentioned." [145] Economic determinists apparently cannot resolve the contradiction arising from the material conditions of life resulting in definite ideological reactions that impel men to act, even if their obvious economic interests with which those acts are in patent defiance, are placed in mortal jeopardy.

Much has been made about the lack of directness on the slavery issue which characterized the Northern cause at the outset of the Civil War. By one of those strange ironies of history the present Thirteenth Amendment to the Constitution which prohibits forever slavery in the United States, takes the place of the originally proposed thirteenth amendment which had for its object to deprive Congress forever of the power to abolish or interfere with slavery within any State where it was recognized.

This proposal received the requisite approval of two-thirds of both houses of Congress and was endorsed by Lincoln himself. But it was not considered sufficient, despite its iron-clad terms, by any of the Southern States and had no effect in deviating them from the independent course upon which they had embarked.[146] They recognized with unerring instinct that in the lexicon of history pledges, treaties and constitutions are only as strong as the social forces which bring them into existence, and will be as remorselessly swept away when the conditions of life find in them an obstacle to their further development. Who can doubt to-day that had the South yielded to those blandishments then, the ultimate effect upon their peculiar institution would have been different than what it is?

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[142] Development of the United States—Farrand, p. 225.

[143] History of the United States—Rhodes, Vol. II, pp. 211-12.

[144] Rise of American Civilization—Beard, Vol. II, p. 12.

[145] History of the United States—Rhodes, Vol. II, p. 480.

[146] Ibid., Vol. III, pp. 313-4.

Slavery was out of step with the course of history in modern civilization, and the South could not long have continued out of tune with the rest of the enlightened world. The considered judgment of mankind grasped fully the significance of the struggle, however its true nature might have been disguised by the political maneuvers of the moment.

So, for example, the Emancipation Proclamation was not issued until well on in the second year of the conflict, and then it applied only to the States which were still in arms against the Washington government by January 1st, 1863.[147] When a Union general acting on his own authority, ordered to be freed, as an act of war and reprisal, all the slaves in his sphere of hostilities, Lincoln sternly rebuked him, not only because he acted on such an important matter without express authority from the Commander-in-Chief, but principally because it violated his well-thought out plan involving a larger public policy of temporary compromise and appeasement.[148]

It is somewhat ironical, therefore, for the official Communist historian, whose party has developed the faculty of expounding four different and contradictory policies on vital public questions in as many years—and during the course of the present World War in as many weeks—to condemn Lincoln as a hypocrite and a scoundrel who never really intended to emancipate the slaves, though personally, they concede he opposed slavery. His actions, Bimba declares, were dictated by the interests of the northern bourgeoisie. "The bourgeois historians," he declares, "and the trade union and socialist leaders almost worship Lincoln as the emancipator of the slaves. The Negro masses are made to believe that the representative of the northern bourgeoisie led them like a Moses, from the land of bondage to the land of freedom. But it is not so. If events had developed the way Lincoln desired the world would never have heard of the emancipation proclamation."[149] This peculiar combination of ignorance, stupidity, and half-truths is characteristic of a movement which after twenty years of existence has not produced a thinker who knows the history of the country they propose to rule. They are quick to evoke the spirit of their patron saint Marx whom they worship, but whose scientific acumen none of them has succeeded in applying to the facts of American development.

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[147] History of the United States—Rhodes, Vol. IV, p. 71.

[148] Ibid., Vol. IV, p. 65.

[149] History of the American Working Class—Bimba, p. 122 (1936 ed.).

J. T. ADAMS POSITS THE PROBLEM OF COMPENSATION VERSUS EMANCIPATION

Some historians have soliloquized upon the stupidity of men who went through the blood and sweat and the tears of a tragic civil war for four years at an enormous expense many times over what it would have cost to purchase the freedom of the slaves. J. T. Adams even ventures to surmise how different would have been the course of history for the nation if the South, instead of having $1,500,000,000 of capital locked up in slaves, had been supplied with a similar liquid capital in the form of compensation. "With free labor and adequate liquid capital, the South might have solved the social problem and entered upon a new economic and industrial phase. There is little use, however, in considering such vague possibilities." [150]

But since he does raise them, and offers plausible solutions, it is important to answer them. Even if the South would have been given cash on the line their economic and social problems would not have ended then and there. On the contrary, insuperable difficulties would have been encountered from the very outset, not so much in the fear of the South being compensated according to the agreement as Adams suggests, but in the infinitely more important problem of what to do after the compensation would have been received, either at once in bonds, or over a period of time.

For one thing, the entire social structure of the South would have had to be changed to effect a transformation from a slave to an industrial capitalist economy in cotton, tobacco, sugar and rice staples. Later we will discuss fully the essential elements of such an economy, and it will become clear why the Southern aristocracy as a class could not possibly have accommodated themselves to the new arrangements. A contemporary Southern writer says on this point with great understanding: "Emancipation would affect more than property and labor; it would strike at the very heart of the social order. Even compensated emancipation found little favor." [151]

[150] The March of Democracy—J. T. Adams, Vol. II, p. 6.

[151] Georgia as Colony and State—Johnson (1938), p. 319.

We have already noted that slavery was an expanding institution; that every decade from the first census in 1790 to that of 1860 showed a continuous increase in the number of slaves who grew from 700,000 to 4,000,000; that the social institutions of the South precluded the introduction of machinery and labor-saving devices utterly unsuited to the uses of slave labor; that the size of the cotton crop and the foreign demand for the American crop showed a progressive rise; that the number of slaves gave every prospect of continuing to increase with the development of this staple in the economy of the nation and the demands of the world market; that the methods of American cotton cultivation compelled the continuous extension of its field to ever new regions in the West and South;[152] and finally, that despite the best efforts of Abolitionists and humanitarians of all types, few slaves were manumitted, and even fewer escaped their bondage.

The data supplied by Rhodes proves how discouraging was the prospect for the normal, or natural, disappearance of the peculiar institution. In 1850 one thousand and eleven fugitives escaped to the free States, while in 1860 only eight hundred and three stole their way to freedom; while in the ten year period of 1850-60 the total number of slaves who were manumitted by their owners did not exceed twenty thousand.[153]

FAILURE OF PRIVATE PHILANTHROPY TO DEAL WITH AN OVERWHELMING SOCIAL PROBLEM

Back in 1817 a group of idealists with Supreme Court Justice Bushrod Washington at their head considered the advisability of establishing a colony of freed American Negroes. The project of such a settlement within the limits of the United States was abandoned for one on the west coast of Africa. Eventually a permanent settlement was effected in Liberia with the financial assistance of the American government.[154]

This experiment after many vicissitudes survived as a colony, but proved a lamentable failure in solving our particular problem, demonstrating once more that private philanthropy is no remedy for recurrent and continuing evils which are social in their origin. Virtuous pharisees like President Fillmore continued to salve their conscience by giving support to a movement which all thinking men had recognized to be a failure for over thirty years.[155] Garrison charged that seven times as many slaves were annually smuggled into the South as had been transported to Africa by the Colonization Society during the first fifteen years of its activities.

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[152] Economic Development of the United States—Lippincott, p. 175.

[153] History of the United States—Rhodes, Vol. I, p. 378.

[154] History of the People of the United States—McMaster, Vol. IV, pp. 562-6.

After a vicarious existence as a colony, Liberia was finally constituted as an independent republic, and formal recognition was extended to it by the Lincoln Administration.[156] It continues to this day as a protegé of the United States which exercises a preponderant influence over its affairs, though actual administration is carried on with an oppressive hand by the aristocracy of its population who are the descendants of the former American slaves.

If the impending struggle between the North and the South could have been at all settled by compromise, the Civil War would never have been fought. Neither side lightly threw down the gauge of battle. For over thirty years the issue had been maturing. Every possibility of peaceful settlement had been explored. Both sides were willing to give and take while such an exchange was at all possible. But the time had to come when there was nothing more to offer, nothing more of cherished convictions to be cast aside. All issues had been finally resolved to the irreducible question of the continuance of slavery itself. Whether by outright abolition, or by gradual restriction, or by compensation, there was no question in any thinking mind that the institution itself was at stake.

Both sides camouflaged the issue to the very end before the actual outbreak of hostilities. As far as the North was concerned, this attitude of compromise was kept up to the last possible moment until the offer extended by Lincoln in the Emancipation Proclamation holding out forgiveness and continuance of slavery if the sovereignty of the Union would be recognized before the effective date of January 1st, 1863.

The South deliberately refused the long outstanding offer from September 23, 1862,[157] and its final coming into effect bore the aspect of a war reprisal.[158] But all the world appreciated the practical necessity of its offer as well as the profound significance of the move itself which summed up the essence of the struggle.[159] Lincoln's politic gesture held out the hand of compromise and forgiveness. It was not grasped by the South for it realized that the point in its destiny had been reached where to compromise meant to surrender, and to accept forgiveness on the basis of the status quo before the war, would have an ultimate equivalent effect of total defeat on the field.

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[155] History of the United States—Rhodes, Vol. I, p. 297.

[156] New Map of Africa—Gibbons, p. 93.

[157] History of the United States—Rhodes, Vol. IV, pp. 160-1.

[158] Ibid., Vol. IV, p. 212.

[159] Growth of American Democracy—Nichols (1939), pp. 257-8.

OFFER OF COMPENSATION FOR SLAVES REJECTED BY THE SOUTH

Among the important offers of appeasement made by the North the one of constitutional perpetuity has already been discussed. Another was that of financial compensation. This was seriously debated on the eve of the irrevocable decision, but without affecting the ultimate resolution.[160] While the war was in its early stages Lincoln proposed and Congress ratified the plan that the United States would co-operate with any State ready to adopt the gradual abolishment of slavery by rendering financial compensation to those suffering loss as a consequence.[161] Both Houses of Congress actually did vote overwhelmingly for compensation to Missouri slave-holders up to ten million dollars, though due to differences in the respective bills the proposition was later filibustered to death. The same Unionist Democratic opposition in Congress in order to embarrass the Administration squelched proposals for compensating the border State slave-holders of Maryland, West Virginia, Kentucky and Tennessee. These States though loyal to the Union in great part, still opposed such compensation proposals as an unwarranted interference by the National government in a matter belonging exclusively to the States.[162]

Rhodes is gratified over these bona fide proposals advanced by the Republican majority, which he considers to have been eminently wise and philosophic.[163] It is difficult to discover the wisdom, though admitting the practical importance, of a proposition that is patently unacceptable to the other side. "In spite of all the influence which Lincoln could bring to bear," Rhodes wrote, "it was, unfortunately, not accepted by the border slave States which remained in the Union. Bound up as was slavery with their social and political life, they could not see that its doom was come." [164]

Such an analysis while strictly factual is far from being philosophic. No ruling class in history is ever willing to concede that its end has come, even in the rare case where they do recognize the fact. Classes are not ruled by their moral concepts, but by their relations to the mode of production out of which these concepts are refined. The slaveholder could not function as such without the essential prerequisite of that relationship, and though many of them as individuals were inclined to speculate upon the shortcomings of

[160] History of the United States—Rhodes, Vol. III, p. 270.

[161] Ibid., Vol. III, pp. 632-3.

[162] Ibid., Vol. III, pp. 635-6; Vol. IV, p. 68.

[163] Ibid., Vol. III, pp. 269-70.

[164] Ibid., Vol. III, pp. 635-6.

the institution and even reprobate it in a mildly philosophic way, the class as a whole could not exist outside of that sphere.

In short, no fundamental transformation in the social structure ever takes place with the consent of the dominant class. Such a revolution need not necessarily be blood-stained. Unfortunately these radical transformations are seldom effected without the employment of force in its sternest aspects; but to-day the force of the ballot box is itself a dominant factor in a democracy.

As far as the South was concerned the ending of its peculiar institution meant an end to its social system. They need not have been profound students of history to recognize that palpable fact. So, for example, the French aristocracy on the eve of the Great Revolution knew that their end had come as the ruling class of the kingdom. But the appreciation of that fact did not reconcile them to the loss of their power, which they sought avidly to retain until it slipped from their hands before the impact of social forces which their system itself had created and finally unloosed upon them in all its explosive energy.

Nor was the North united in the resolve to pursue its course to the ultimate resort to arms. It is idle to speculate upon whether or not it would have done so on the simple question of abolition. The question of slavery and the indissolubility of the Union were inextricably inter-woven, and the further continuance of one was incompatible with that of the other. The shot at Fort Sumter only sounded the tocsin for the combat; it did not create the struggle.

Before that fatal die was cast, Fernando Wood, Mayor of the City of New York, expressed his deep sympathy for the South on the political aspects of the problem, and actually proposed to the City Council on the eve of the conflict that New York declare itself a free city and secede from the Union, though he was not prepared to recommend the employment of violence in order to achieve that status.[165] In the struggle for which both sides were preparing all these legal and rhetorical niceties were to be brushed aside for the ultimate appeal to the stern arbiter of history as it has been made up to now. Democracy has yet to demonstrate its ability to effect fundamental social changes peaceably.

SUMMARY OF THE PERIOD OF EXPANSION

History deals with the consequences of man's actions rather than with his intentions. Sometimes the aim and the results coincide, but more frequently they do not. Whatever the aims of the Founding Fathers, the social structure they were instrumental in creating brought forth from within its loins social forces whose nature few of them understood, and which most of them opposed in part, yet unavailingly.

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[165] Wood's Message to the Common Council, Jan. 6, 1861—Harper's Encyclopedia, Vol. X, pp. 435-7.

The ruling aristocracy whose power Hamilton sought to cement by direct constitutional processes found that power oozing out from between its fingers. It was compelled eventually to resort to indirect methods for the achievement of the same results, through the evolution of the party system which dominated the minds of the voters, while they dominated the minds of the party leaders. Jefferson feared the power of the commercial and financial classes whose influence he sought to circumvent by erecting a firm agricultural society.

Yet the actual growth of democracy in America was fostered most not by his political philosophy as by his political acts, principally the extension of the national domain in Louisiana from which was to be carved out those Western states to be filled up with independent farmers. It is safe to assert that the phrase We, The People, was a rhetorical gesture rather than the actual political fact of its time. The political organization set up as a consequence of the Great Revolution resulted in the creation of a social system where the people through devious ways actually came to occupy the center of the political stage as the most powerful element in the organization of the state.

Every modern student of our history must concede that this was not a democratic government at its inauguration. We dismiss the absurd quibble—for such it is in the twentieth century—upon the theoretical differences between a pure democracy and a republic. Pure democracies never existed, for even in ancient Greece and republican Rome the so-called democratic state was the rankest form of a class state. Such verbal disputes were justified in the days when The Federalist was being written for a gangling country strung over a thousand miles of the Atlantic seaboard; where large towns were rare sights for a people overwhelmingly agricultural and whose complete cycle of life's processes were consummated, for the vast majority of them, within a radius of fifteen miles of their birthplace.

By democracy we mean simply a representative form of government where the representatives are subject to the control of their constituents in reasonably frequent and free elections. That is the mechanism of the democratic state. Its actual operation requires a far more complicated statement. But this rock-bottom essential of the democratic system was not included in the frame of government devised by the Constitutional Convention. It developed from between the interstices of the social structure the Revolution was instrumental in creating; sometimes by bursting a seam here and there, as in the change in the mode of electing a President, which in turn gave rise to the development of a national party system in place of the Congressional caucus; while at other points there was actual armed revolt for the extension of suffrage, as in Rhode Island.

When the provision for admitting new States into the Union was adopted it is plain that few, perhaps none, then realized the revolutionizing influence it would have upon the extension of our democracy by bringing in on an equal footing with the original States the democratic Commonwealths erected by sturdy, independent equalitarian pioneers.

Modern capitalism can flourish best in a democratic state. It proclaimed the ideal of laissez faire when the state was a veiled aristocracy, and functioned as an oppressive agent toward free enterprise. In those forms of political organization where the state powers are most amenable to its influences the government itself becomes the most active agency for the promotion of capitalist economy.

Both Hamilton and Jefferson despite their contradictory social philosophies co-operated in their respective ways toward the formation of a strong national state. They differed principally in the means employed, while the results were the same. Hamilton's tariff proposals, the refunding plan, his central banking system, all were direct means for the end aimed after; while Jefferson's international policy resulting in the embargo, as effectively stimulated the development of American industry and the American national spirit. Marshall, Clay and Webster completed the task they had so nobly begun.

Here we observe the superiority of the Historical Field Theory which considers the co-operation of all divisions of the social structure, the state, the economy and the ideological superstructure in their inter-relation and inter-action instead of ascribing a mechanical, artificial primacy to any of these factors. None contributed more to the solidifying of the national authority than the champion of the states-right theory; while no loose constitutional constructionist ever stretched that noble document more than did Jefferson to implement the national government's power in meeting exigencies as they arose. One of the standard arguments advanced in accounting for the decline of the Federalist party was the assertion that the Jeffersonians had adopted all that party's principles.

Among the factors which contributed most powerfully in the creation of the national authority was the fostering of domestic industry by appropriate government action through the adoption of tariff legislation, in pushing public improvements and the further extension of the national domain by purchase and conquest. On the political field there was the American System of Clay, the advocacy of a strong union by Webster, and the extension of federal authority through appropriate judicial interpretation in the doctrine of implied powers as applied by the Supreme Court under the leadership of Marshall.

On the economic field there was the transformation of production from a local or petty industry basis, to that of commodity production for a general market. This required a higher form of technology for cheaper production, and a transportation system where the cost of movement did not overwhelm the cost of manufacture. It is this phase of our development which gave impetus to the substitution wherever possible of the forces of nature in production for the puny energy developed out of the human frame. Individual skill was transferred to the mechanical perfection of a machine where the worker played the role of a feeder or of a supervisor.

This transformation of labor from the status of skilled handicraftsman to a mere factory operative resulted in the creation of the category of unskilled labor, where any average person could with very little training take his place as part of the productive process. That was the beginning of the factory system, the social division of owners of capital and sellers of labor power, which in time gave rise to that entire congeries of industrial strife which has since characterized the industrial relations of employer and worker.

Whether or not one subscribes to the theory of the class struggle, the fact of the class struggle obtrudes itself in every phase of the economic cycle which begins with the elements of production and ends with the distribution of the revenue in values into wages, profit of enterprise, interest and ground rent. Recurrent crises have begun to manifest themselves periodically as definite symptoms of some inherent derangement in the economic life-cycle of an advanced industrial nation. Though students to this day are not agreed as to the causes of the disease, there is no mistaking the symptoms of the ailment.

During this Period of Expansion there grew up side by side within the same national integument, though not in the same sphere, the contradictory systems of wage labor and slave labor. These opposing systems were the product of their respective economies loosely held together under a formal political union. The social structure of American society could not withstand this divisive strain indefinitely.

This clash manifested itself in the contradictory national policies of a semi-colonial economy in the South with a virile capitalist national economy in the North. On this rock alone the Union would have cleaved in time. But that time did not arrive until 1861. Until then the struggle assumed a political aspect for the control of the state, and finally reached its climax in a great ideological conflict which assumed the aspects of a moral crusade on both sides—on the one hand for an abstract human liberty, and on the other as a passionate adherence to nebulous theories of constitutional forms of state organization.

The direct economic motives underlying the struggle have been strongly asserted but never proved. It is a far cry from economic interests of the antagonists to the material conditions of life which rendered the further continuance of human slavery incompatible with current ideas concerning the natural state of man in the same political structure. One or the other ultimately had to give way, and while the United States was in its upward movement there could be no question as to where the North would stand on that irreconcilable issue.

It was this abstract though powerful motivating factor, rather than any particular love for the Negro, that led tens of thousands of white men to embrace the cause of Abolition, and later to take arms in hand, and under one slogan or another to resolve the impasse between political fact and social theory in its democratic professions.

Force up to now has been the ultimate recourse in the solution of irreconcilable differences within the social structure of a class state. But we should never lose sight of the fact that history up to now has never experienced the existence of a genuinely democratic state as the modern United States is now, unquestionably, despite the inevitable limitations of its history.

PART THREE

PERIOD OF INDUSTRIALIZATION

CHAPTER XIII

The Conditions for American Industrial Development

GENERAL CONSIDERATION OF THE PROBLEMS PRESENTED BY THE INDUSTRIAL PERIOD

During the years between the Civil War and the crisis of 1929 the United States reached the apogee of its industrial development on the basis of the existing economic system with the maximum of capitalist enterprise and the minimum of government financial assistance. This is not to assert that our country has reached the limits of its greatness. We do not propose to advance dogmas, but to analyze the laws of this historical evolution.

Out of the stupendous accumulation of available data it is possible by judicious extraction and compilation to demonstrate, or to annihilate, any plausibility concerning the nature of society. There is one incontestable advantage of the scientific method in historical analysis: Once the laws of social motion are definitely established, all material facts must be in consonance with their operation, while facts of social significance which are unknown or undisclosed must, when they become generally established, fall within the boundaries of these laws.

The physicist need not be present or know of every single experiment performed and observation advanced, but if some indubitably established fact were disclosed which violates all the accepted principles, scientists would proceed immediately to revise their conceptions in accordance with the newly discovered factors which must operate to produce the established fact. However, scientists are not too much disturbed over the possibility of such fundamental revision every other Monday and Thursday.

When we said that the United States has already reached the maximum of its economic development in accordance with the laws of the progressive phase of its capitalist economy, it is incumbent upon us to demonstrate exactly what is meant by the progressive phase, and what are the factors which inhibit such further growth. We are cognizant of the Federal Reserve statistics which indicate that at long last American production in 1940 had overtopped in the gross that of 1929, and had gone far beyond that by 1945; but we propose to analyze in its proper place the nature and character of this startling achievement.

It will be futile to draw out statistics on specific items relative to consumption of electric power, the number of automobiles in operation, the comparison between 1929 and 1939 in the number of electric refrigerators in use, or the latest comparative data in cotton, steel or felt-hat production. We do not mean to impugn the validity, but we may well question the applicability, of the data so adduced to the fundamental problems of our industrial economy.

Nor do we subscribe to the theory of the Mature Economy as advanced by certain contemporaries; namely that America has reached the ultimate of its development on a peace-time basis and that all is finished, with only patch-work to be done in certain backward areas. The genial writer of the "Topics of the Times" adduces much evidence that this is still an unfinished country, with plenty of work for youth to do besides attending American Youth Conferences which are in the nature of an inquest upon our decadent society;[1] or we might add answering the bugler's summons.

We will discuss in this Part the factors responsible for creating that vast complex we call American civilization, the highest yet attained by any historical people, and we will show why America's progress along those lines has already reached its maximum within the limitations of the capitalist mode of production. We will present, reasonably and dispassionately, why capitalism's creative energy is already spent; that while it may linger on for many more decades, the country is now in a stagnant state, and in view of what is happening in the world about us in a state of degeneration in its peace-time economy, though in full vigor ideologically and very powerful politically.

It is our purpose in the final Part of this work to discuss the contemporary situation fully; but before we can understand the world about us, we must first establish how it came into existence, and analyze the nature of the social forces that shaped its development. No better case history for a scientific study could be asked for than the history of the United States in the period now under consideration. The Historical Field Theory will meet here with its most critical test. It is incumbent upon its critics to consider on its merits the application of this theory to the facts of life—all the material, determinant facts—and the conclusions which follow ineluctibly from their analysis.

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[1] New York Times, May 31, 1940.

THE PREPONDERANT NOTE OF THIS PERIOD IS ECONOMIC

From the Declaration of Independence to the termination of the Civil War the overtone in American history was political in its nature, with its motif the establishment and consolidation of a strong national state. The victory of the North settled with irrevocable finality the question of State or Federal supremacy. From the loose-jointed union of the several State sovereignties there emerged the dominant national government with the states reduced to the function of local administrative organs principally concerned with the utilization of its police powers within the scope permitted by the predominating national policies.

This does not mean that since the Reconstruction period the Federal government has continued to hover threateningly above the State governments; but it does imply that the national government through the bait of state aid grants and other devices has been able to impress its will upon even the most recalcitrant and stubborn of State administrative organs. The constitutional relations subsisting between them may not have changed much in form, but very considerably in their content. The states no longer send the equivalent of ambassadors to the national council, especially the Senate.

The State representatives are assuming more and more the aspect of trustees of a common heritage whose affairs are to be administered for the general benefit.

Modern large-scale production has shattered the artificial political barriers of administrative organization. The broadening scope of the inter-state commerce clause is the result of the tremendous impact between the productive impulses of modern industry and the ancient conceptions of state sovereignty developed out of the handicraft and petty industry stage of economic evolution.

The Civil War marked the definite and conclusive victory of the Federalist principles of government, while to the extent that the South has yielded to the impulses of capitalist economy, the more readily has it embraced the national concept of governmental authority. State lines are not erased, nor need they ever be, so long as they do not constitute barriers to the further progress of the American people in the unfoldment of the powers inherent in the national exercise of its supreme authority. While most thoughtful observers will agree upon the political consequences of the Civil War, there exists considerable differences as to how these results were brought about, and even more so concerning their significance. We shall now devote ourselves to the consideration of the social forces which produced those results.

INDUSTRIAL GROWTH STIMULATED BY THE WAR

However destructive the immediate consequences of the Civil War, the very titanic efforts it called forth provided the basis for the future growth of the dominant North, while the South was to lay prostrate for over a generation, economically exhausted and spiritually beaten. When it did rise once more at the turn of the century it was to embrace the very industrialism before whose power it had succumbed in the great conflict.

The cost of the war to the Union had been three and a quarter billion dollars; to the Confederacy one and a half billion dollars.[2] But the really decisive economic consequence as far as the North was concerned was the tremendous impetus the war gave to the growth of its industries. To the South the war costs meant stripping the country of its available resources; to the North the war costs poured a continuous golden stream into the veins of an expanding industry and laid the basis for that rich flowering of industrial growth which was to push the United States into the first rank among the nations of the World. Holders of Northern bonds possessed gilt-edged securities; the Southern evidences of public debt became worthless paper.

It may well be asked how can a nation grow rich out of the all-consuming conflagration of war? The reply is that nations may well achieve that which is impossible for the individual, to grow rich out of its losses; for the nation, unlike the individual, can pass on its debts as a valid obligation upon future generations in a thriving economy, to be met by setting aside an increment of its annual net revenues for interest and amortization requirements.

To meet the tremendous costs of the war the Union government resorted principally to the issuance of long and short term bonds. In 1865 the net public debt stood at $2,758,000,000. Only $300,000,000 had been raised through import duties, $290,000,000 through internal revenues, while the war-time income tax yielded only $55,000,000. Besides these revenues the government issued $450,000,000 in fiat money, or greenbacks, while an additional $50,000,000 was issued in small denominations of less than one dollar.

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[2] History of the United States—Rhodes, Vol. V, p. 188.

These figures are interesting to demonstrate that by far the greater cost of the war was met by mortgaging the future wealth to be created by the American people. How far the hilt had penetrated the vitals of our economy during the struggle is proven by the fact that bonds sold far below par, while the greenback on a gold basis had depreciated to as low as thirty-nine cents.[3] In the light of subsequent developments it is easy to see how many a speculative fortune was based on a lucky gamble in the future destiny of the United States bond.

THE PUBLIC DEBT AS A PRIVATE BLESSING

In a thriving capitalist economy the public debt becomes a private blessing to the holders of government obligations. It also becomes a prime security for various financial operations as a vast reservoir of liquid wealth based upon the claim to the usufruct of future generations. The losses of the war appear to come to life once more, but now in its most virile form appropriate to the requirements of an expanding economy.

We have noted that Hamilton's refunding plan gave a powerful impetus to the creation of an American capitalist class. The very large debt after the war of 1812 provided the sinews for that boom in transportation and manufacture that laid the basis for our industrial system. Now the Civil War was to leave the nation with a tremendous debt, from one point of view, but from another with an enormous reservoir of public credit tokens in private hands for private uses.

The uncritical might deduce from this that veritably the secret for universal prosperity has been discovered in the hidden blessings of public debts created by large-scale wars, or in the various other ways of stimulating the public debt. It is only during definite stages of capitalist development that such a result follows. That the historical laws of capitalist economy are not absolute, but limited by definite factors has been amply demonstrated in our detailed presentation of the Historical Field Theory. Germany and Russia as an aftermath of the First World War soon discovered that mountains of debt and oceans of paper currency only resulted in a billion marks or kopecks exchanging hands for one very doubtful-looking herring. France to a large extent, and Great Britain to a lesser, had to devaluate their currency as a means of preserving the value of the ponderous structure as a whole.

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[3] The United States Since 1865—Hacker and Kendrick (1938), p. 202.

SMITH AND RICARDO ON THE ROLE OF THE PUBLIC DEBT

How little Adam Smith understood the role of public credit in a developing capitalist economy is observed by his statement that so much capital diverted from productive uses for purposes of destruction must result in the impoverishment of the nation.[4] He pointed with trepidation to the mounting obligations of the British government as a sure evidence of impending disaster. Living as he did at the threshold of the industrial revolution, he could not see that valid public bonds by creating immense reservoirs of fluid, concentrated capital would draw within the orbit of capitalist productive economy more forces than ever could be commanded by the slow processes of gradual capitalist accumulation.

Thus Smith in 1776 spoke with considerable concern upon the progress of the enormous debts which then weighed down, and in the long run would probably ruin all the great nations of Europe.[5] He lamented over the national debt which grew out of the American Revolutionary War and its international repercussions which added an additional one hundred million pounds to the already existing debt of one hundred and thirty millions. If, he argued, during eleven years of profound peace between the end of the Seven Years' War and the outbreak of the American conflict only ten million pounds of debt was paid off the situation for the future was indeed hopeless.[6] Fortunately this great thinker did not live to see the debt mount to astronomic figures during the Napoleonic struggles. Despite them, and partly because of that, England was laying the foundation for its industrial greatness.

Ricardo had a profounder insight into the role of public credit. Unlike Smith he was no longer concerned about its reduction and ultimate liquidation. That appeared an impossibility under the existing principles of taxation. Nor was he concerned about the distribution of interest on the public debt. He quotes Say approvingly that in the final analysis that made very little difference to society as a whole, since it collected revenues from one class of citizens to pay over to another class of annuitants. This sleight of hand neither diminished nor increased the total amount of revenues, but merely affected their distribution. The real loss to society came from the unproductive or wasteful uses to which the principal had been put. The consumption which followed the loan will never yield any further revenue, while its continuing obligation will remain a general burden upon society. The loss sustained from the existence of the public debt is not in the interest which passes from one hand to the other, but of the revenue which would otherwise result from the destroyed capital.[7]

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[4] Wealth of Nations—Smith, p. 328.

[5] Ibid., p. 863.

[6] Ibid., pp. 875-6.

Studenski states that of the eight hundred and fifty million pounds indebtedness which was England's heritage of the Napoleonic Wars only three hundred and fifty millions were paid off during one hundred years of comparative peace that followed, coupled with unexampled prosperity arising from the lush development of the industrial system. Yet such minor conflicts as the Crimean and Boer Wars actually negatived the decrease in the public debt. The First World War multiplied Britain's 1914 indebtedness eleven times.[8]

Studenski confines himself to the writing of recipes for the proper control of public debt to prevent inflation and to reduce the costs of wars, and so minimize the burdens of future generations. He sadly concedes that there is little prospect of any of the nations following his sound advice gratuitously offered.[9]

Wars are an inseparable phase of modern capitalism as are crises, and it is difficult to choose which is more destructive, the obvious losses sustained by war, or the equally enormous though concealed losses induced by crises. There is such a thing as wars in the progressive stage of capitalism, and wars which are an evidence of its internal decay and disintegration. Without further discussion of this point at present, it is obvious that the Civil War ushered in a period of tremendous growth for the United States, during which it rose from a semi-colonial status to the rank of the leading nation in the world.

Lincoln had reached the stature of a great statesman by common consent toward its conclusion, but admittedly he was not a financier at any time of his career. Chase had grave doubts whether the Union could long hold out underneath the crushing burden of debt, the rising expenses of waging war on the scale demanded by Lincoln, and the difficulty of raising new money by means of more loans.[10] But the money was raised, the capital values were shot away and worn out or wasted, the victory was won, the debt remained, and to the astonishment of everybody it was easily met not by a people crushed beneath its burden, but by a nation enjoying the fruits of the tremendous upsurge in its economy following the close of the struggle. This remarkable consequence was not the result of the public debt in itself. Rather it was the economic uses to which an expanding capitalist economy put those evidences of debt at a critical period of its growth, that this nation owed its remarkable progress.

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[7] Principles of Political Economy and Taxation—Ricardo, p. 161.

[8] The Economic Foundations of Business—Sphar and Others (article by Studenski), Vol. II, p. 529 (1932).

[9] Ibid., Vol. II, pp. 539-40.

[10] History of the United States—Rhodes, Vol. V, pp. 232-4.

MARX ON THE PUBLIC DEBT AS A SOURCE OF CAPITAL ACCUMULATION

Marx gives us the classic statement of the historic role played by the national debt in the development of capitalist economy during its progressive phase. The only part of the national wealth which actually enters into the collective possessions of modern peoples, he remarks with his acid humor, is the national debt. Its sanctity becomes the credo of capital and blasphemy against the Holy Ghost will be more readily forgiven than to impugn the credit of the state.

Writing in his more erudite fashion Marx continues that the public debt becomes one of the most powerful levers of primitive accumulation. As with the stroke of an enchanter's wand, it endows barren money with the power of breeding and thus turns it into capital, without the necessity of its exposing itself to the troubles and risks inseparable from its employment in industry. The state-creditors actually give nothing away, for the sum lent is transformed into public bonds, easily negotiable, which go on functioning in their hands just as so much hard cash would. The national debt gives rise to joint-stock companies, to dealings in negotiable effects of all kinds and to the modern bankocracy.[11]

Every writer agrees that the Civil War laid the basis for modern industrialism as we know it, but they are not agreed upon how and why that transformation from a predominantly agricultural society to a predominantly industrial society was effected. Lest the too easy conclusion be adduced that apparently the public debt is necessarily a public blessing, and the larger the national debt the greater the national prosperity, it must be emphasized that there are many other vital factors which must co-operate to bring about that tremendous increase in the wealth of the American nation which followed the conclusion of the Civil War.

If all a people had to do to set itself on the high road to prosperity was to issue evidences of national indebtedness it would be strange indeed that others did not follow our inspiring example. In fact this pleasant device was quite generally known to the statesmen of the world who did not hesitate to employ it vigorously when occasion required, or was invented. The results, however, were usually quite disastrous. Certain other essential requirements apparently were lacking, but which the United States obviously must have possessed.

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[11] Capital—Marx, Vol. I, p. 827

COURSE OF THE INDUSTRIAL REVOLUTION

For the North in the years of the Civil War and after, almost three billion dollars of capital was created by simple government fiat. The question arises how can wealth be thus created, as it were, out of thin air? The traditional method of wealth accumulation was that known from time immemorial as consisting of certain tangibles in real or personal property, or in that universal repository of wealth as represented by the precious metals, and less so, of jewels. Merchant capitalism had acquainted us with the uses of negotiable instruments, but usually behind it all was the precious metal securely locked in the goldsmith's vault.

But the accumulations of merchant capital were necessarily limited by the quantities of commodities in circulation and the masses of gold and silver on hand. Production for exchange was very limited in extent. The overwhelming numbers of mankind lived close to the soil from which they grubbed their existence with some surplus remaining for the support of their political and ecclesiastical institutions. The nature of production depended upon the skill of the craftsman's hand and the application of his judgment, with the tools or other contrivances employed merely as accessories to the technique of the handicraftsman.

The great discoveries of the fifteenth and sixteenth centuries revolutionized the basis of Western civilization. A tremendous influx of new commodities and new wealth in its most desirable golden form was experienced by the peoples engaged in those daring enterprises. Small but ambitious nations sought avidly for this new road to riches for its ruling and commercial classes.

That was the case with Portugal, England and Holland. The proud Spaniard looked upon the New World only as a means for supplying him with the wealth with which to conquer the Old World, while later the equally ambitious but more calculating French considered the hegemony over Europe itself as the surest path for the eventual control of the unlimited resources of the world. Both Spain and France failed ultimately in the realization of their designs. Portugal sank into the languor from which she has not yet emerged. Only England and Holland remained to this day as the great exploiters of colonial resources.

This revolution in trade and commerce could not leave untouched the methods of production at home, with repercussions in the colonies abroad where the social and economic conditions were favorable to their introduction. An industrial revolution took place, preceded by appropriate ideological and political revolutions that paved the way for its progress. This revolution not only transformed the methods of production, but also of circulation.

The element of time began to play an ever larger role in speeding up the turn-over of capital. The working period and the time of circulation both constitute the effective elements in the time of turnover. The working period was shortened by the introduction of mechanical power and machinery. The time of circulation was considerably reduced by bettering transportation methods on land and sea and of the means of communication. Credit facilities helped considerably by increasing the effectiveness of available capital, and that gave rise to the extension on an enormous scale of the business of banking.

More and more masses of human beings were drawn into the sphere of capitalist production. This was the period which Smith immortalized in his Wealth of Nations where production of new wealth took the center of the stage from merchant capital with its devices for merely shifting around for their own advantage the wealth already in existence. The industrial era increased considerably the mass of new values created, including the surplus value over and above the original stock with which the enterprise began. The continued creation of surplus value constituted the actual source for the increase of the nation's wealth.

HISTORICAL ORIGIN OF CAPITAL ACCUMULATION

But capital accumulation necessarily is limited to the savings from surplus in that mode of economy. True, some funds could be obtained from the banked savings of the masses, but their standard of living was scarcely above the subsistence level and savings banks were unknown in the infancy of capitalism. Apologists of the system make a great point out of the abstinence of the capitalist class which in the learned lore of economists, might as well have eaten their constant capital in the form of land, machinery and such likely edibles as iron, coal and copper instead of putting them to productive uses. The queerest ideas are extant upon the nature of capital not only among historians, where such peccadillos may be overlooked, but among the economists who are supposed to know their way around in this vale of tears and sorrow.

Thus one modern writer insists that abstinence is the price of progress and prosperity,[12] and at the same time asserts that abstinence is not a factor in limiting the supply of bank funds.[13] It has yet to be shown how the capitalist class can function as such if it possesses or controls no capital, any more than a farmer can expect crops without first employing seed and soil. The truth of the matter is that the secret of primitive capitalist accumulation is locked up in the vilest processes of human exploitation in which robbery, enslavement and war play the stellar roles. Copy-book moralists cannot well describe how many an American fortune was laid in slave-trading, robbing the Indians of their land, profiteering on the necessities of the nation in war, and despoiling the nation of the public domain in land, timber and natural resources.

During the course of our analysis of American history thus far we have indicated some of the sources of primitive capital accumulation which included the forced labor of Negro chattels and indentured whites, smuggling, piracy, questionable land speculations, corruption in government, and legislation of the type of the Hamilton Funding Bill which placed public credit to the uses of scheming financial manipulators.

But there are many other sources of capital accumulation, principally derived from the normal processes of capitalist production and exploitation which we must now consider. With the employment of ever larger masses of labor, the surplus value they create becomes an inexhaustible reservoir for capital accumulation; inexhaustible in the sense that while its mass is limited by the quantity of labor-power set in motion multiplied by the rate of exploitation, it is a method which is susceptible of constant renewal on the basis of continual reproduction and repetition of the process. It is this continual renewal which differentiates a progressive from a stagnant society.

CAPITAL—A SOCIAL POWER IN PRIVATE HANDS

With all this there are definite limits to the amount of capital which can be added to the current plant. These limits are the size of the original plant set in motion and the amount of surplus value which can be siphoned off and is capable of functioning as additional capital. The national wealth increased in the decade of 1860 to 1870 from sixteen to thirty billion dollars, and to four times what it was in 1850.[14] After allowing for the inflation in the standard of measurement, the increase in actual wealth was indeed enormous.

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[12] Economic Foundations of Business—Sphar; article by King, Vol. II, p. 172 (1932).

[13] Ibid., Vol. II, p. 160.

[14] Economic Development of the United States—Lippincott, p. 753.

How was this effected? Obviously through the greater production of wealth despite the losses of the Civil War. To facilitate this tremendous addition to our resources three elements were necessary: the original material from nature's abounding storehouse in continental United States, capital and labor.

The Civil War itself gave a tremendous impetus toward the masses of capital set in motion. Now capital consists of various elements employed in the productive process. Pure capital, or capital par excellence is its money form. Perfectly good capital may exist in lands and in machinery, but they are fixed capital in its value form. A ship or a locomotive is nonetheless fixed capital because it is moved or propelled from place to place. The tremendous public debt following out of the Civil War was an addition to the nation's existing fluid capital, as valid as money anywhere so long as it could be readily transformed into acceptable currency.

THE HISTORICAL JUSTIFICATION OF THIS PERIOD IS SEEN IN ITS ACHIEVEMENTS

It may well be asked: How can a bond which is merely an evidence of debt, constitute actual wealth, when the wealth for which the bond now stands was used up in the most wasteful of social processes, in the destructive cataclysm of war? Herein we touch upon one of the most mysterious processes of capitalist economy, whereby a negative is turned into a most valuable positive element. This problem in alchemy has already been solved in our previous analysis of the nature of the public debt as represented by its outstanding bond.

This bond obtains its value because it is a claim upon future national revenues, and its value is dependent upon the certainty and amount of interest paid, together with the adequacy of the provisions for its eventual extinction through the operation of the sinking fund. In short, a thousand dollar government bond at par is readily exchanged for a thousand dollars in cash, and an owner of a large amount of government bonds will meet with absolutely no difficulty in obtaining a proportionate loan from a bank by putting up those bonds as collateral.

By means of valid credit operations of ordinary commercial banking practice the available capital can be enormously extended by rigid adherence to established banking principles by debits and credits on the ledgers of the national banking system.[15] Money cranks have been quick to apply their ignorance of economic processes to inventing nostrums for our financial system, as we will observe in the history of the Greenback, Populist and Bryan movements, but they all stem from the gorgeous necromancy of banking credit operations whereby apparently through a sleight of hand, or its equivalent in jotting hieroglyphics on banker's books, or in facilely turning a money printing press going by formal act of Congress, all social problems stemming from money needs are miraculously solved and every human ailment rooted in that ubiquitous need is magically healed.

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[15] Economic Foundations of Business—Spahr; article by Spahr, Vol. I, p. 550.

What adds to this bewilderment is the common observation that even private individuals can turn their hands to creating, as it were, valid capital sums out of thin air, be it pure or impure. Nothing is more common than the following: A company or firm, is engaged in some successful enterprise. Its bonded indebtedness and outstanding preferred stock easily equals its total actual capital assets. After meeting all its fixed charges, taxes, depreciation and maintenance allotments, there is a net profit residue which is distributed at the rate of five dollars a share per common stock. The standing of the business is such that at the current rate of interest and profit of enterprise the capitalized value of each common share is one hundred dollars.

Thus we observe that sound capital values are created for a private enterprise based on nothing else than the capitalized value of a regular return projected into the future. A present monetary value is created which is dependent wholly upon income that may—or may not—eventuate at regular future intervals. No one encounters much difficulty in selling or borrowing upon first grade common stock of such a company despite the mutabilities inherent in business.

THE IMPETUS OF THE CIVIL WAR TO CAPITAL CONCENTRATION

Modern corporate capitalism became the dominant factor in American industrial enterprise from the initial impetus to capital accumulation which followed out of the Civil War.[16] In common parlance, there were three billion dollars of concentrated capital in federal bonds left around to play with during and after that struggle. We say concentrated, because while the small farmer or worker might have bought government bonds as a patriotic duty, and in fact did do so, he generally disposed of them to meet his own needs, or deposited them in his local bank or savings institution as security for a loan. Capital can be rendered most effective in modern times only in its concentrated forms, where it can be readily marshalled and employed to greater advantage. We have now to investigate the forces which tended toward the concentration of capital and its centralization in the form of finance capital.

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[16] Since the Civil War—Lingley, p. 304.

During the last third of the nineteenth century America experienced the first process in the concentration of industrial capital in the hands of gigantic corporations and trusts; the second phase of the process began to gain headway with the centralization of the nation's resources in the hands of finance capital through the medium of inter-locking directorates and other devices at the turn of the century. Both processes vitally affected our national economy and molded contemporary society into its present arrangements. It would be futile to attempt to analyze the history of the Period of Industrialization unless one grasped firmly the operation of the capitalist economy upon which it was predicated.

The first period of our national history, the Period of Expansion could be summed up as the final development of our state structure; the second period, the Period of Industrialization as the final development of our economy on a capitalist basis. In the first period, the state dominated the economy; in the second period the economy dominated the state. It is the latter observation which gives rise to the current economic interpretation of history school of thought. It will be well worth while to inquire into the processes whereby the concentration of the nation's capital resources were enhanced by the social forces created by the relations of the American social structure as it was shaped, modified and developed after the Civil War.

CHAPTER XIV

Character of the Political Transformation Effected By the Civil War

THE NORTH MAKES VIGOROUS USE OF ITS FREEDOM OF ACTION

Upon the opening of hostilities, the very air seemed to clear in the national councils. No more the hopeless clash in Congress between the two irreconcilable ideologies; no more the anxious concern lest offense be taken by touchy sectional pride, where each was careful not to wound the sensibilities of the other; no more that endless circumlocution which wound up in compromises that settled nothing but put off the inevitable day of reckoning, while maintaining the awkward uncertainty as to its nature and fear for the ultimate outcome. Once the Southern representatives left Congress the way was left clear for the unfolding of long pent-up processes and the undertaking of national projects too long held in abeyance.

During the midst of the conflict the Union Congress found time to adopt measures of vital concern to the future development of the national domain through the Homestead Act, the fostering of its manufactures through a protective tariff, and the internal improvement of the country by assisting in the rapid extension of the railroad systems in the West.[1] War industries gave a tremendous impetus to the growth of domestic manufactures, while the government was generous to its contractors. Profits of fifty to one hundred per cent on government contracts were not unusual.[2] The long suppressed elements favoring the full utilization of the national resources along capitalist lines at last had full freedom for their expression, now that the stifling hand of the Southern slave-holding aristocracy was removed as a factor in guiding the ship of state.

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[1] Economic Development of the United States—Lippincott, p. 297.

[2] Economic History of the American People—Bogart, p. 491.

THE CIVIL WAR AS AFFECTING AN INTERNAL RE-DISTRIBUTION OF POLITICAL POWER

Beard calls the Civil War the Second American Revolution, and compares it by an analogy with the Roman social war.[3] As a rhetorical gesture, no exception can be taken to that characterization, but as an analysis it fails to emphasize correctly the historic significance of the Civil War. The uprising of slaves led by Spartacus was a struggle on their part to overthrow the power of their masters.[4] Had they been successful the power of state would have passed from the existing ruling class to an hitherto suppressed class. The American Civil War was successful in that it achieved one of its prime purposes, namely, the final solution of the slavery problem, but in a manner far beyond the contemplation of any but the small minority of Abolitionists.

The very name associated with this conflict indicates that it was not a social war undertaken by the Negroes themselves. With few exceptions they slaved on while the war raged. State power in the Union still remained in the same social class after its successful termination; only the direction and purpose of its use was now definitely changed. The Civil War destroyed once and for all the political power of the slavocracy and cemented that of the industrial capitalist class. Its outcome was not revolutionary because the nature of the state power had not changed; only a different set of hands now firmly grasped the helm to direct its destinies.

In a later work Beard recognized that the fundamental element of a social revolution is the transformation of the property relations in production which form the basis of the social structure, and a concomitant transfer of state power, usually accompanied by the destruction of the existing state mechanism and the substitution of another created by the new dominant class. Neither of these two essential elements followed out of the Civil War. The same state power was simply transferred to one of the factions struggling for mastery, while in the North the basic property relations remained the same. Hacker, who ought to know better, follows the trend in calling the Civil War a revolution signifying the triumph of industrial capitalism.[5]

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[3] Rise of American Civilization—Beard, Vol. II, p. 53.

[4] History of Rome—Mommsen, Vol. IV, p. 103.

[5] America in Midpassage—Beard, p. 249; The Triumph of American Capitalism—Hacker (1940), p. 373.

TREMENDOUS CONSEQUENCES FOLLOWING THE ELIMINATION OF THE SLAVE POWER FROM GOVERNMENT

The Civil War was a political and not a social revolution. Our social revolution occurred in 1776 when the rule of the British aristocracy was definitely overthrown and a state organization was established which derived its power out of and by the consent of The People.

Our investigation up to now has been directed to establish the indisputable fact that democracy did not spring forth at one bound fully developed and accoutred for its great historic struggle; that on the contrary the processes of democracy have been slow in unfolding; and we have endeavored to indicate by what methods and under what circumstances those gradual accretions of popular power have been obtained. The Theory of the Continuing American Revolution is predicated upon the proposition that the great American Revolution provided the initial impulse for this historical process, and that the Civil War was an inevitable outcome of the irreconcilable contradiction between the type of social organization desired by the slavocracy, and that best adapted to the requirements of expanding American capitalism which could thrive best in the atmosphere of democracy.

A. The Homestead Act

SOCIAL AND ECONOMIC SIGNIFICANCE OF THE HOMESTEAD ACT

Among the first fruits of the Civil War garnered by the North during its progress was the passage of the Homestead Act in 1862. The social significance of this measure upon our subsequent history can hardly be over-estimated. During the early years of our Republic before the slavery question began to assume much significance there were few restrictions upon the disposing and settling of the public domains. Land speculators exercised an important social and economic function through their preliminary surveys and promotional efforts. Land was sold cheaply while squatter sovereignty claims when asserted were most frequently composed by amicable agreement. Later government land offices were established and the proceeds realized from the sale of public lands swelled the national revenues, part of which was distributed to the states. These revenues helped at one time to wipe out the entire existing national debt.

After the Missouri Compromise the cleavage between the social systems of the North and South was recognized to be irreconcilable and growing wider with each succeeding year. The plantation system of the South rendered impossible a large white population. Even though the Negro counted for three-fifths of a man for voting purposes thus making the owner of five hundred slaves the controller of three hundred units in the determination of his State's delegation in the House of Representatives, nevertheless the North was rapidly increasing its commanding majority in the popular branch of the national legislature.

The South's remaining hope was to maintain parity in the Senate. Even there the free states outnumbered the slave states by three at the end; yet the political composition of Congress was such that some delegations would go along with them on specific issues since party organizations crossed sectional lines.

It was to the advantage of the South, therefore, to slow down the opening of recently acquired territory to settlement, particularly in the Northwest.[6] Upon the acquisition of the immense Mexican Cession the territory suitable for free settlement was further increased. Northern leaders pressed the Homestead bill under the slogan of "land for the landless freeman."

Southern spokesmen countered by pressing with equal fervor the proposal to acquire Cuba by purchase for thirty million dollars. This brought forth the mordant jibe from a Northern Senator that when the question is land for the landless, the South will always insist upon making it "a nigger for the niggerless."[7] When finally such a measure was enacted it was vetoed by President Buchanan on the ground that it was a concession to the subversive doctrines of Europe which had infiltrated in America, and would result in squandering the public domain for the benefit of private individuals.[8]

Among the issues of the 1860 election was the Republican slogan "Vote yourself a farm." There is no doubt that large masses of workingmen and naturalized citizens in the crowded cities, all of whom had suffered greatly from unemployment following the crisis of 1857 supported the Republican Party, among other reasons, for this promise held out of free homesteads to all willing to settle on the land. "So eventually in 1862," wrote Beard, "the hard contest over the public domain came to an end with the passage of the Homestead Act which provided for the free distribution of land in lots of one hundred and sixty acres each to men and women of strong arms and willing hearts, prepared to till the soil." [9]

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[6] Economic Foundation of Business—Spahr, Vol. I, p. 51.

[7] History of the United States—Rhodes, Vol. II, p. 353.

[8] Rise of American Civilization—Beard, Vol. I, pp. 648-9.

This was the beginning of the agrarian wing of the Republican Party which for so long a time in subsequent history supplied it both with plenteous proportions of radical discontent but also with the votes to carry its candidates consistently to the White House.

Learned statesmen had figured in 1827 that at the rate of growth which the country was then experiencing it would take five hundred years to settle the public lands.[10] That was before the additions accruing by the terms of the Mexican peace. Yet so beneficent was the influence of the Homestead Act, so virile the national impulses when unloosed from the restraints of the Southern oligarchy, that emigrants actually poured into the fertile territory and over the semi-arid lands. A powerful impetus was given to European immigration so that within thirty years all the available acreage had already been taken up. The American frontier had ceased to exist within the span of seventy odd years from the time when the Monroe Doctrine was first promulgated to the inauguration of McKinley.

B. The New Tariff Program

ADOPTION OF A FIRM TARIFF POLICY

Another far-reaching consequence of the Civil War was the final adoption of the protective tariff principle as a vital element in our national economy. This, too, had a typical American pragmatical origin. The excessive internal revenue taxes imposed by the financial requirements of the war compelled the raising of import duties in order to equalize the position of the American producer.[11] Where the highest ad valorem duties of the 1857 Act were twenty-four per cent, the average rate of the 1864 Act was over forty-seven per cent, with many items being above that mean.[12] During the entire course of the war, tariff rates were being changed, invariably to a higher level.

We will recall that the tariff policy of the United States was characterized up to then by a complete absence of such a policy. From 1789 to 1816 the principle of protection was applied sparingly to certain products, but on the whole the rates were low, and imposed principally with an eye to revenue. During the Jefferson economy regime these rates were slashed considerably. With the advent of the American System school of political thought under the inspiring leadership of Clay, tariff rates were established with an eye to protection for the purpose of aiding the growth of our infant industries. We will presently discuss the merits of this contention. South Carolina's threat of nullification of the so-called Tariff of Abominations, was merely a cloak for the state's right theory which was the real gravamen of the issue. It is safe to assert that not one in a thousand who discoursed on that issue could present the pros and cons of the tariff question with any degree of sustained coherence.

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[9] Ibid., Vol. II, pp. 114-15.

[10] Rise of American Civilization—Beard, Vol. II, p. 269.

[11] Economic Development of the United States—Lippincott, p. 567.

[12] Principles of Economics—Seager, p. 408.

Nevertheless, the great compromiser, Clay, perceiving the true bent of the struggle, played for time as the best healer and supported the move for lower rates by a gradual reduction at intervals. The crisis of 1837 and the ensuing loss in national revenues compelled a high tariff in 1842 principally to make up the deficits which had been experienced in the Treasury's accounts. From 1846 the rates were again reduced, and when in 1857 the Treasury found itself with the pleasing burden of a surplus, a further reduction in rates was the method employed to get rid of such annoyances in the future. Therefore it can be readily understood that the tariff policy of the Civil War days was dictated by the needs of the moment.

Nevertheless the policy of high rates when once resorted to, no matter what the initial purpose, was difficult to change upon the termination of the conflict because industry was already geared to that protection. Besides, money was needed to meet the heavy postwar obligations. But more important, the social forces left in control of the government were now a homogeneous unit on matters of economic policy; at any rate, there was absent that heavy ponderous political phalanx of the slavocracy which had to be constantly appeased, and which grew more arrogant with each concession. The stalemate was ended, the deadlock was broken, and the pent-up forces of expanding industrial capitalism were given their full bent. For twenty years after the Civil War considerable theoretical uncertainty prevailed as to the efficacy, or even the necessity of this legislative economic policy, but once determined upon, the program of Congress became consistently protectionist.

ABUSES INEVITABLE IN THE DETERMINATION OF TARIFF RATES

Scientific investigators have learned to distinguish between a policy and its abuse. Since few of us are wholly unsophisticated, it is needless to enlarge upon the abuses to which tariff legislation was subjected at the hands of scheming and powerful interests. But before we consider the evils of its application, let us first establish the role of the protective tariff principle in the upbuilding of American industrial economy.

Here again the treatment this question receives at the hands of the authoritative writers only adds to the general bewilderment. Thus Lippincott tells us of the high or low average rate of this law or that, with inconclusive references to particular commodities such as cotton, woolens, iron, steel and so forth.[13] Seager sagely concludes that the defeat of a certain President was a reaction by the country to high protective policies, while a similar defeat to another President was the mysterious signal that the country was resolutely determined upon a policy of protection.[14] The average voter knows as little about tariff intricacies as a new-born babe; and it might be added that the average writer on the subject is capable of shedding little if any more light on this question.

Thus, for example, a more recent commentator undertaking to instruct the world upon the mysteries of business makes the following observation: "Without here taking a position as to the general theory of protective tariffs, we consider it to be fairly obvious that a tariff may be so unreasonable as to be obstructive to the best trade interests of both the country which adopts it and other countries with which it trades." [15] But it is precisely upon the general theory that one should take a stand, before one can qualify to instruct others upon its uses or abuses.

JUSTIFICATION OF THE PROTECTIVE TARIFF

There is one fundamental, irreducible principle which justifies the protective tariff policy to a nation which seeks to play the role of a First Class Power. Industrial development is inherent in that national principle. It is the harbinger of national greatness, and the assurance of its ability to maintain its actual as distinct from merely formal sovereignty. No modern nation can support its status as a first rate power unless it has within its borders the means for creating the instruments of its own defense and the enforcement of its will on the international scene. Not only that; no modern nation feels at all secure unless it has under its direct control access to the necessary raw materials for its productive plant, and an opportunity to exchange its products for others which it lacks, with colonies or spheres of influence subject to its preponderant power.

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[13] Economic History of the United States—Lippincott, pp. 568-9.

[14] Principles of Economics—Seager, pp. 408-9.

[15] The Economic Foundation of Business—Spahr and Others; article by Hanley, Vol. II, p. 24.

But, it will be contended, this is a special application of the protective tariff principle to the latest phase of modern capitalism, which is imperialism. The reply is that while it may appear to be so, that results only from the apparent similarities between tariff protection and imperialist policy; both are generally found together in aspiring capitalist economies. But this must be noted—protection precedes imperialism, and both are later mutually dependent upon each other. Their historical sequence is of the essence. The general theory of protection is not a dogma removed from relation to time and space, but is predicated upon conditions which constitute the very substance of historical reality. An agricultural country, though enjoying the trappings of sovereignty, is a semi-colonial country.

The principle of protection in the early part of our history was intended to equalize the elements entering into the formation of the domestic selling price by the imposition of a duty sufficient to safeguard the American producer. Later on the same protective principle was employed chiefly to safeguard the basic industries without which our entire industrial structure would collapse. Of course other industries were extended the same benefits, but their effect was not of such grave concern to the national welfare.

In modern times the key to the protective principle is the safeguarding of those industries upon which depend the national defense. It may be contended that these paramount considerations were not so evident in the thoughts of those responsible for the enactment of the necessary legislation. So did few legislators, understand the politics and economics of imperialism; but that deficiency did not prevent them from taking adequate steps in thatireciton as they were dictated by the paramount interests of the nation and the circumstances of the times.

THEORIES OF THE FREE TRADE SCHOOL

According to the classical theory of Adam Smith, every nation should divert its energies to the production of those commodities best suited to the character of its population and the nature of its material resources, and which can be created with the least expenditure of labor. If this program were carried out England would have remained the workshop of the world and the United States would still be exporting foodstuffs and cotton. It would represent the apotheosis of the colonial doctrine against whose enslaving influences the American colonists revolted.

Manufacturing is not only a mode of production but a way of life, a mode of national existence. No people can maintain their political sovereignty as long as the capitalist mode of production prevails unless they are the masters of a national industrial economy, with free access to markets and basic materials. The small so-called independent nations of Europe have long learned that they must fall within the orbit of one or another of the great continental powers simply because they have not the economic resources to maintain substantively their independence.

Recent developments have emphasized in a poignantly bitter fashion what was the fact for thet past seventy-five years. A nation possessing the spirit and the resources to maintain intact its sovereign position was compelled to resort to the artificial stimulation of its manufactures upon which depend their material and military resources.

How far these considerations actually played a role in the calculations of statesmen is a problem for historians who have not rid themselves of school-room ideas concerning their exalted wisdom. In their actions the first resort of statesmen was the careful protection of heavy industry from foreign competition. Germany would now be an economic vassal of England if Bismarck had not pressed for a high protective tariff. Spahr writes that "it is a generally accepted principle among economists that the general welfare of the peoples of the different nations is promoted when each nation devotes itself to the production of those things in which it has the greatest comparative advantage, and exchanges freely with all others its available surplus of products and services." [16] Of course this generalization is freely accepted by economists who still slumber on in the twentieth century in the laissez-faire dream world of Smith, and who insist in living in this world of their own creation which is without any conceivable relation to reality itself.

Such wisdom might have been the acme of erudition in the days when men fought with pikes, swords or even guns of a fashion. It certainly does not apply in the modern world. A people as virile as are the Americans, inhabiting a country so abounding in resources as ours, would not possibly have contented themselves with the station in life among the peoples of the world to which England and Adam Smith destined them. The fact is they could not, and did not. If objection be raised that our contention is unfair because it relates to a situation where the weakness of the geographical specialization theory of world production is too glaring, then with what period in history would you begin to apply the Smith thesis? And to what country. After all, we *are* concerned with the welfare of the United States.

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[16] Economic Foundation of Business—Spahr, Vol. I, p. 612.

ROLE OF THE UNIFIED NATIONAL STATE

Unless one grasps the significance of the fact that capitalism and the national state are the conditions for each other's existence, where the state is the independent variable and the economy the dependent variable, it is impossible to understand the history and the dominant ideology of the past three hundred years. The geographical and ethnical division of labor on a global scale is a thesis suitable for the school-books; in actual life, the industrial nations organized on a capitalist basis would suck the life-blood out of all the rest.

We have discussed previously the problem whether the state interests take precedence over that of the economy, or vice versa. The experiences of Germany in the Bismarck period proved that capitalism could not thrive there without a strong national state, while the historical conditions prevailing in Japan about the same time showed that a unified state form preceded the development of modern capitalism. Both factors were prime considerations, and the exfoliation of the national ideologies grew out of their respective economic and political needs. Lest some point out that national states do exist without a firmly established economy in Jugoslavia, Portugal and Afghanistan, among others, it can also be pointed out that formal national states have existed in Ethiopia and Albania, and more recently in Austria, Czecho-Slovakia, Poland, Norway, Denmark, Holland and Belgium. Doubtless some form of national existence will be vouchsafed for them in the future even in a dominant world-capitalist economy.

In history, as in any other science we must deal with the essence of a thing and not only with its appearance. A host of so-called national Republics still exist in Latin-America south of the Rio Grande. They possess individual constitutions, separate flags, distinctive anthems and endearing traditions just as sacred to them, and as ennobling, as any that ever thrilled an American heart. Yet no candid mind can deny that their present fate, their very destiny, lies in the hands of Powers outside of themselves; and it is immaterial from the present standpoint whether that power be the United States, or Great Britain, or Germany, or Japan or any combination of them.

No national state can maintain its sovereignty unless it possesses an economy adequate to compel respect, and therefore becomes a desirable partner in one of the combination of nations which for the past hundred years have divided up the world into their respective spheres of influence. When Spahr spoke of the general welfare of nations being promoted by free trade, he spoke the economics not of the world of reality, the actual world in which we live, but of that peculiar Erehwon which the thrice sanctified professoriate weaves out of its ample brain processes. That world possesses no other objective existence.

Curtis is another economist who would present the world with a blue-print denoting the productive processes for which the countries of the world are respectively best adapted, and to which they should, in good conscience, ever after devote themselves. But he is willing to concede that, most unfortunately, the actual status of the world will not permit of this beatific arrangement. "If there were no need to consider the possibility of war," Curtis writes, "fiscal considerations aside, trade could be absolutely free." [17]

What a tremendous exception! The entire case is conceded in this essential qualifying clause. War is as much an instrument of national economic policy as is diplomacy despite the classroom moralizers. This is not a matter of wisdom after the event. Even if it were so, it only reinforces the validity of the argument.

WAR AS AN INSTRUMENT OF NATIONAL POLICY

Obviously we are not speaking of all wars for all times and under all circumstances. The Historical Field Theory has sufficiently emphasized the importance of limiting generalizations to definite historical conditions. The nineteenth century experienced as many wars as the preceding one, but these wars again had their distinct objectives. The European wars were principally struggles for national consolidation or the rounding out of boundaries. That similarly was the situation in the New World.

In Africa and Asia, and to a limited extent in the North American Caribbean area, the struggle took on the aspect of imperialist expansion. This problem will be considered at the proper point. For the present it is important only to establish conclusively the fact that wars and preparation for wars are inseparably interwoven in the economy and political organization of every modern national state occupying or aspiring to the rank of a First Class Power.

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[17] Economics, Principles and Interpretation—Curtis (1928), pp. 469-70.

Without a strong tariff policy the United States could never have reached that rank which it now occupies among the nations of the world. The term First Class Power pertains not only to position but condition, for one is the counterpart of the other. Without a protective tariff American economy would have remained in the condition to which nature and the Adam Smith school of contemporary economists destined her. She would have continued with her nominal political independence, but economically a colony of Europe, more particularly of England.

Without a strong national government which was the basis of economic independence, British, Dutch, French, German and even Swiss capital would long ago have intervened by diplomacy and otherwise to protect their investments in defaulted railroad bonds, waterway improvements and repudiated loans to state governments.

That the United States was for all practical purposes a colony of Europe up to the Union victory in the Civil War is manifested by its economic dependence upon the Old World for all forms of capital goods, including money. The whole tactic of official England during the early part of the Civil War was to destroy the Union by surreptitious military and economic aid to the South.[18] That vast cotton growing area was an economic colony of Great Britain, and to some degree of Northern industrialism.

ECONOMIC DETERMINISTS STRESS THE TARIFF QUESTION AS A CAUSAL FACTOR IN THE CIVIL WAR

It is absurd, however, to contend that the tariff issue played any decisive role in the cleavage between the North and South. There is a vital distinction between the role played by that question in the respective spheres of the world and the domestic economy. Free trade for America would have determined her world status and condemned her to subserviency, though she might have maintained her nominal sovereignty. But in the years from 1820 to 1850 when the slavery issue ripened, the nation was too overwhelmingly agricultural and self-reliant for the tariff to have affected substantial economic interests.

Southern planters were small consumers of manufactured products. The tariff issue was first raised during South Carolina's nullification to disguise a far more fundamental difference; that issue in fact had little influence in the formulation of the respective party dogmas until twenty years after the Civil War. Even Hacker who speaks of the tariff as one of the economic factors in his text-book writing,[19] is compelled, in his more esoteric thinking, to admit that the tariff question was not strongly raised until after the crisis of 1857. He admits that between 1832 and 1857 the contradictory interests between Northern merchant capital and industrial capital stalemated each other in the advancement of a consistent tariff policy.[20]

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[18] History of the United States—Rhodes, Vol. III, p. 502; Vol. IV, p. 77.

"It is enough to note here," Hacker emphasizes, "that there did not exist a powerful enough manufacturing interest to press the issue of protection so consistently as to make it a major public question. Indeed, after 1832, the question of the tariff became a subordinate one and it did not emerge until 1857 when the newly-founded Republican party made it the heart of its economic program." [21] Long before that time the slavery question had become the decisive issue upon which the sections had adapted an intransigent position.

On this particular question, it is very much apropos to point out that Marx, the alleged father of the economic interpretation of history—a paternity that he would wrathfully and with truth disavow—strongly rejects the tariff issue as a contributory factor in the struggle between the North and the South. On the contrary, he bitterly condemns the powerful English press of his time for seeking to disguise the fact that the central issue of the struggle was the institution of slavery itself, and Marx declares with emphasis that the principal motivating factor was the idealism of the North created by the material conditions of the time.

"Naturally in America every one knew," Marx wrote, "that from 1846 to 1861 a free trade system prevailed, and that Representative Morrill carried his protectionist tariff in Congress only in 1861 after the rebellion had already broken out. Secession, therefore, did not take place because the Morrill tariff had gone through Congress, but, at most, the Morrill tariff went through Congress because secession had taken place." [22]

Marx was too much the student of history not to appreciate that great moral questions in time present themselves as concrete political proposals which appear to negative the idealism of its proponents. Such was the Republican policy to limit slavery rather than to abolish it. But he infers that both sides shrewdly suspected that the policy of limitation would not end there,[23] and that the United

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[19] The United States Since 1865—Hacker and Kendrick, p. 12.

[20] American Civil War—Hacker; article in Marxist quarterly, Apr.-June 1937, p. 205.

[21] Ibid., p. 207.

[22] Civil War in the United States—Marx & Engels (1937 ed.), p. 59, first issue in United States.

[23] Ibid., pp. 66, 69.

States could not continue much longer half slave and half free. Economic determinists may spurn the influence of ideas in history. Marx went a step further and showed how those ideas arose; but he would be the last to deny their efficacy as motivating factors in history.[24]

THE NORTH PURSUES A CONSISTENT INDUSTRIAL PROGRAM

Hacker is in error when he represents the tariff as the spearhead of Republican political-economic dogma so early in its existence. That came thirty years after its birth. But this is beside the point at present. The real issue is that only through the successful outcome of the Civil War did the Northern industrial capitalist interests obtain the fullest freedom of action in tariff legislation.

We have already emphasized the significant role of the tariff in the early stages of industrial capitalism. It is not often that a nation is so favorably placed in its command of raw material, cheap transport facilities, and an adequate labor supply in numbers and in quality as to be able to compete successfully with an economy like England's which had a hundred years start upon it. Even Spahr, whose purely theoretical dissertation upon the international division of labor [25] justly earns for the professoriate the low opinion entertained for them by men of affairs, is compelled to admit that protective tariffs are economically justified to encourage infant industries and to protect domestic producers against dumping. But he does not concede that tariffs, nationalism and capitalist development are inextricably interwoven. The very need for legal barriers against dumping proves the principle of protection against this fortuitous shower of wealth which carries within itself the seed for the beneficiary's industrial destruction.

Free trade has been well-described by Marx as the last retreat of vulgar economy; [26] a term which he defines as the pedantic systematizing of plausibilities and the proclamation as ever-lasting truths the trite ideas of a self-complacent bourgeoisie.[27] His great coworker Engels, is able to demonstrate the reason why by means of the tariff the articles which are capable of being exported are generally the best protected.[28]

It is a standing challenge to modern economists to present a rational interpretation of the tariff problem as it affects the United States without at the same time conceding the scientific validity of the entire Marxian analysis of capitalist economy. They see the facts, but they cannot recognize the operation of the economic laws which produce those facts.

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[24] Ibid., p. 71.

[25] Economic Foundation of Business—Spahr, Vol. I, p. 614.

[26] Capital—Marx, Vol. I, p. 712.

[27] Ibid., Vol. I, p. 93.

[28] Capital—Marx, Vol. III, pp. 142-3; note by Engels.

So for example, Spahr, for all his free trade theorizing, justifies the American protective policy against dumping, whereby the exporting nation could whip down American production by consistently selling specific commodities below their value but at around their cost of production.[29] But another writer in the very work which he edits, Morison, denies the Marxian labor theory of value,[30] while later he toys with costs of production as being influenced by the operation of supply and demand.[31] There is not a responsible cost accountant in this broad land who in his practice is not compelled to operate with the costs of production elements as though he were a true-born Marxist baptized in the faith, even if he thinks himself intellectually emancipated after passing through the purgatory of the university.

POLITICAL IMPORTANCE OF SOUND ECONOMIC THEORY

Here we are not dealing with verbal disputes, but with the most fundamental laws which govern capitalist economy and the history of modern industrial nations. However the professors may disagree, the practical-minded legislators are called upon to act in the face of an actual problem, and by their decision they were compelled to ratify the Smith-Ricardo-Marx labor theory of value which their teachers had dutifully denounced during their school days.

The protective tariff rendered powerful assistance in the hot-house development of industrial capitalism in the United States. By paving the way for the concentration of capital and the rise of finance capital, the tariff played a tremendous role in the future history of our country. It is for this reason that the Civil War by freeing once and for all Northern capitalists from the political and economic restraints of the Southern slavocracy, was an epochal event in the development of our country from a semi-colonial nation which it was in 1860 to the rank which it occupies to-day.

"It makes a tremendous difference," wrote Marx, "whether the national capital is gradually and slowly transformed into industrial capital, or whether the time of this development is hastened by means of a tax which they impose through protective duties mainly upon the real estate owners, the middle class and small farmers, and the handicraftsmen, by the accelerated expropriation of the independent direct producers, by a violently hastened accumulation and concentration of capitals, in short, by a hastened introduction of capitalist production." [32]

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[29] Economic Foundation of Business—Spahr, Vol. I, p. 618.

[30] Ibid., Vol. I, pp. 342-4; article by Morison.

[31] Ibid., Vol. I, pp. 412-13.

It will be noted that Marx characterizes the tariff as a tax on all classes except the working class, unless their actual standard of living is lowered thereby. There is a fundamental proposition here alluded to, namely that taxes are deductions from the surplus value of the capitalist class.[33] Later we will see what bearing this principle has upon contemporary history. The mystery of Hitler's preparedness in spite of Germany's insufficient resources, and of the Allies' lack of adequate arms in spite of their tremendous wealth, lies hidden in this law of capitalist economy. For the present we must recognize the great historic residues of the Civil War, chief among which was the hard-won freedom of action of Northern capitalism to dictate the tariff policies of the nation.

C. The National Banking System

DISTINCTION BETWEEN THE BANKING NEEDS OF AN AGRICULTURAL AND AN INDUSTRIAL ECONOMY

Finally the Civil War compelled the Federal government once and for all to put its banking system in order. American radicals of various hues, and social blue-print planners of various degrees of sanity could profitably study our general history, and particularly that of the Civil War period, if they would understand the workings of the American pragmatical mind.

Great reforms are usually enacted after great calamities have indicated the path for a virile people either to salvation or destruction. Prevision plays an insignificant role in the American system of political thinking. In this respect we most closely resemble our spiritual forebears, the English, with their dogged belief that perseverance and energy in the face of disaster will somehow allow them to muddle through.

When the Civil War broke out the American banking system was still geared to the needs of an agricultural, rather than an industrial economy.[34] The result was a highly decentralized State banking system over which the National government exercised no control. The Second United States Bank charter had expired in 1836 and was not renewed in accordance with the principles of Jacksonian agricultural democracy. The methods pursued by the chartered institution were best suited to the requirements of large merchant capital and centrally located industrialists. Consequently it could not meet the needs of the small merchants and farmers scattered over a vest territory.

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[32] Capital—Marx, Vol. III, pp. 911-12.
[33] Capital—Marx, Vol. I, p. 244.
[34] Hacker in the Marxist quarterly, Apr.-June, 1937, p. 212.

Small and numerous State banks dotted the country side to meet their needs. In 1862 twenty-nine of the thirty-three states in both the Union and the Confederacy exercised their privilege of chartering banks. There were no generally recognized principles of sound banking. That very expression conjured up contradictory theories concerning the function and operation of these institutions depending upon the particular social and economic status of the advocate.

Under these circumstances chaos in banking practices was inevitable. Failures were frequent. There was no such thing as a federal note circulation. Each bank note was only as good as the bank which issued it. There was considerable laxity in the quantity of notes which a bank could issue, as well as the certainty of their redemption. Consequently notes of many banks circulated below par, and even the best of them were accepted only within the local areas where the institution was known. A merchant in Albany was entitled to exercise considerable caution in accepting a genuine note drawn on some bank a few hundred miles away.

Counterfeiters took full advantage of their opportunities and the country was flooded with spurious notes. Still, business had to go on between the sections of the country, but obviously at a very slow tempo. Uncertainty which attached to the circulating medium was in itself an inhibitory factor, militating strongly against the easy flow of commodities, which is the essence of capitalist economy.

CHAOS OF THE OLD STATE BANKING SYSTEM

Many devices were perfected for rendering possible even that minimum of commercial intercourse practiced by the lowest civilized communities; but these at best were crude improvisations for a difficult situation. Among them was the Suffolk Bank System highly developed in New England, which required that out-of-town banks should keep on deposit a certain sum of specie in a designated bank. That fund was to take up its notes as they were presented, and replaced as the notes were honored by the issuing bank; otherwise these notes were returned unredeemed if such a deposit was lacking.

It must be apparent that this system, while highly conservative, would require the tying up of metal hoards which the local banks could hardly dispense with from their meager supply. The result was that only the strongest banks could meet this requirement, which in itself would render such additional security unnecessary.

Another device was the Safety Fund System originated in New York. It was in the nature of a security fund up to three per cent of the bank's capital to be used for the payment of the debts of the bank in case of failure. When disaster did come, the fund naturally was insufficient to meet its obligations; yet it would be impossible to ask for a larger measure of security without endangering the bank's stability.

Among the banking institutions developed was the Free Banking System whose general feature was the power to issue notes secured by prime securities like national and certain state bonds. Unfortunately mortgages and securities of all sorts were also permissible in the sixteen States which adopted that system, and when a prime circulating medium was needed most in time of stringency these securities proved to be, even if sound, the most illiquid of realizable assets.

State-owned banks were also in existence. Some were modelled after the Bank of the United States; others adopted the safety fund or free banking system; but most of them invariably proved to be failures.[35] The fundamental defect inherent in the country banks was the extension of credit upon a security not readily marketable under the best of circumstances, and altogether frozen when economic danger threatened and hard cash was the only thing that counted. Financial democracy proved to be incompatible with the imperious requirements of capitalist economic law.

MILITARY DISASTER COMPELLED THE RECOURSE TO GREENBACKS

Only the dire straits in which the Federal government found itself after the initial defeats during the early phases of the Civil War compelled its leaders to throw hallowed traditions to the wind in the face of imminent disaster. It is one thing to possess superior economic resources, as the North undoubtedly did; it was a far different matter to mobilize them. Railroads, factories, improved farm lands thriving metropolises with their enormous acquisitions of fixed capital there was in abundance, but none of these could be turned into cannon and equipment and the varied supplies required by the vast armies in the field. They could, however, be turned into money by using them as part of national resources to back up the public credit.

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[35] Economic Development of the United States—Lippincott, pp. 238-43.

Government loans are really supported by nothing more than faith in the productive powers of the nation and its ability by the exercise of the taxing power to mobilize them in meeting its obligations. A democratic government like ours cannot resort to arbitrary measures. Public opinion must be reconciled to certain steps after events have demonstrated beyond cavil that there is no choice but disaster; in which case these measures lose their arbitrary nature and become necessary as dictated by the events themselves.

Secretary of the Treasury Chase submitted the incontrovertible facts to Congress at the end of 1861. Normal receipts from duties and taxes were about ten per cent of the government expenditures. The government was compelled to resort to loans. Long term 6% bonds had to sold below par. Short-term bonds could be disposed of only at an interest rate of over 7%. The practical repudiation of commercial debts due to the North from the South amounting to around two hundred million dollars, had brought ruin to hitherto substantial mercantile and banking establishments. What was worse, the government had exhausted the current resources of the banks in floating its loans.

A hard year was ahead. Roseate prospects of ending the struggle in three months, the period set by Lincoln's first call for voluntary enlistments, had been dispelled by the disaster at Bull Run. The estimated expenses for the coming fiscal year would be at least $543,000,000, while he hoped the ordinary revenues would reach as high as $40,000,000. Gold was at a premium. While ordinary commercial credit transactions by private individuals were being consummated at 5%, the government of the United States could with difficulty borrow money at 7.3%. In fact, government bonds even then had fallen to sixty.[36] Actually, United States 6% bonds two years later were being purchased by European investors, or rather speculators, at about thirty-five cents on the dollar.[37]

Under these circumstances so elequently depicted by its chief financial officer a virile people with a government alive to its responsibilities was compelled to act. The simplest and most obvious recourse was to put means of payment immediately into the hands of the government lest it succumb. This was effected by the Legal

[36] History of the United States—Rhodes, Vol. III, pp. 559-663.

[37] Ibid., Vol. III, p. 566.

Tender Act, passed with the support of Secretary Chase. By its provisions the government issued a total of $431,000,000 in greenbacks, called so because of their color, with nothing more behind them than the command of the United States that they be accepted as sufficient payment for all debts and obligations.

All financial experts of the day were united upon the proposition that fiat money is not blessed by a single sound precedent, and damned by all. But society, contrary to economic determinists and other faddists, is not ruled either by financiers or by precedents. Even Lippincott seventy years after the date indulges in sound professorial polemics upon the unsoundness of that emission of fiat currency.[38] It is noted, however, that his learned volume carried the line "printed in the United States of America." If those greenbacks helped to preserve these United States, then they fulfilled their historic purpose to the very hilt. And they did contribute powerfully toward the accomplishment of that purpose.

At the end of the Civil War $431,000,000 of the greenbacks originally issued were in circulation.[39] Naturally specie payment was driven out of circulation. Greenbacks fell as low as thirty-nine cents on a gold dollar basis.[40] Lippincott estimates that the cost of the war was increased by from five to six hundred million dollars as a consequence of the resultant inflation of prices.[41] The reader can judge whether the country was worth the extra expense.

Sage advice is given by the experts long after the event upon how this problem ought to have been met. These geniuses would have imposed heavy taxes and duties of all sorts to meet the financial burdens of the struggle. They are utterly oblivous to the fact that such increases would have undermined the Administration, and perhaps have palsied its hand in the firm resolve to carry on the struggle to a victorious conclusion. These same economic geniuses or their numerous progeny are currently debating the problem of how to raise money for the current defense effort. They are adamant in opposing higher taxes on the well-to-do, though more flexible in consenting, with misgivings, to increased government loans as the easier way out; unconcerned that they are creating the Frankenstein which they dread so vociferously. All, however, are enthusiastic in advocating a reduction of Federal expenditures in social services that go for the unemployed, the aged, the blind, the widow and her orphan. (See New York Times, Dec. 31, 1940.)

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[38] Economic Development of the United States—Lippincott, pp. 618-20.

[39] Political and Social Growth of the United States—Schlesinger, p. 78.

[40] Ibid., p. 79.

[41] Economic Development of the United States—Lippincott, p. 619.

It is a common human failing to shift our burdens on to posterity. But the protests of these virtuous authorities would have been more to the point, if, for example, they would advocate that the present budget be balanced by the imposition of heavier taxes on the principle of the ability to pay. They, or the great majority of them, would sooner see every measure now in effect for social alleviation of distress torn from the statute books rather than submit to a steep increase of taxes on corporate incomes and in the higher income brackets.

Rhodes, of course, joins in the denunciation of the legal tender issues as a species of legal robbery.[42] But the highest law is that of national self-preservation, and none of the critics of the government's resort to paper emission dares contradict the fact that no other means then existed for the quiet and efficacious placement in the hands of our hard-pressed Federal government of the economic power necessary for its salvation.

D. Challenging the Judicial Power

THE CONSTITUTION A STRAIT JACKET INSTEAD OF A BULWARK IN TIME OF CRISIS

As is usual in every great national crisis attempts were made to render the constitution not a bulwark toward our preservation but a strait jacket to make impotent recourse to unusual methods in meeting a grave emergency.[43] Prominent lawyers, statesmen, publicists and financiers bombarded Congress against the adoption of the Legal Tender Act, though most of them admitted the trying situation in which the government was placed, and none offered a better solution.[44]

That financial experts do not understand the mechanism of their own economic system the present generation has had ample occasion to observe during the Senate investigation of banking in the first Administration of Franklin D. Roosevelt. It is amusing, therefore, to read of an incident related by Senator Fessenden as published in the Congressional Globe of Feb. 12, 1862, which fully justified the mirth that convulsed his listeners upon its narration.

After stating that the widest disagreement existed among the learned financial men he had consulted, no two of whom seemed to think or reason alike, he exculpated his fellow legislators from

[42] History of the United States—Rhodes, Vol. III, pp. 567-72.

[43] Ibid., Vol. III, pp. 571-2.

[44] Ibid., pp. 569-70.

pleading a remarkable degree of ignorance when nobody is competent to instruct them, and closed with the following authentic incident: "I can state to you, Mr. President, that on one day I was advised very strongly by a leading financial man at all events to oppose this legal-tender clause; he exclaimed against it with all the bitterness in the world. On the very same day I received a note from a friend of his, telling me that we could not get along without it. I showed it to him, and he expressed his utter surprise. He went home, and the next day telegraphed to me that he had changed his mind, and now thought it was absolutely necessary, while his friend who wrote to me, wrote again that he had changed his mind; and they were two of the most eminent financial men in the country." [45]

Rhodes who repeats this incident with evident relish volunteers the information that Blaine twenty years later identified these two gentlemen in his memoirs as James Gallatin and Morris Ketchum of New York, and thus clothes with authenticity an anecdote which could scarcely lose its delicious flavor even if it were apocryphal and improvised for the occasion. Underneath their pompous pride floated on substantial money-bags the current crop of financial wizards are no better than those worthies.

CHIEF JUSTICE CHASE REVERSES SECRETARY OF THE TREASURY CHASE

Chase's connection with this episode of Civil War financing presents an interesting study of kaleidoscopic history making. As Secretary of the Treasury we find him earnestly supporting the greenback emission as a necessary incident to the prosecution of the war. Some eight years later we find the same Chase now raised to the dignity of the Supreme Court bench and clothed with the mantle of the Chief Judgeship delivering learned philippics against the Legal Tender Act as violative of justice, as inconsistent with the spirit of the Constitution, and in fact being distinctly prohibited by it.[46]

Such a determined critic of that august tribunal as Boudin assuredly could not allow this opportunity to pass by without engaging in a legal tournament. He therefore goes into an elaborate discussion of the case in its legal and historical aspects. This possesses too many vulnerable points for the opponents of the Judicial Power, and Boudin exploited all of them in over forty pages of closely reasoned argument.

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[45] Quoted by Rhodes in his History of the United States, Vol. III, p. 569.

[46] History of the United States—Rhodes, Vol. III, p. 568.

The Supreme Court itself does not add to its stature in full view of the facts. Far from being the even-handed dispenser of justice no matter what the consequences, we find the Court deliberately evading the legal tender issue when that came before it two years after the surrender at Appomattox, and did so with some flimsy pretext on a collateral matter wherein it denied jurisdiction. When the issue was finally brought before it in such form that it could no longer be evaded, the Court decided four to three against the government.

Chase's argument in substance was that when the debtor agrees to pay the creditor in so many dollars of a gold or silver coin value, Congress cannot impair the obligation of contract so as to allow the debtor to discharge his obligation by tendering bills of much lesser intrinsic value than the sum stamped on their face.

Many important problems were involved in this adjudication. Whether a law be needful is a legislative not a judicial question. The Constitution did not prohibit Congress, but the States from passing laws impairing the obligations of contract. Congress possesses undoubted powers to issue money and establish the value thereof, as well as to contract debts and provide for their discharge. Justice Holmes later commented that the Supreme Court undertook to reverse the determination of Congress on a point of political economy.[47]

Chase frankly admitted in his opinion that as Secretary of the Treasury the emergency was too pressing to consider the niceties of the legal problems involved. "The time was not favorable," he wrote, "to considerate reflection upon the constitutional limits of legislative or executive authority. If power was assumed from patriotic motives, the assumption found ready justification in patriotic hearts." [48] Justice Miller in a minority opinion cited the plight of the government at the time when the law was enacted. The treasury was virtually bankrupted; the army was in arrears as to payment of men; military supplies were inadequate; banks were closing, while financial panic seized with paralyzing effect upon business enterprise.

"A general collapse of credit, of payment, and of business seemed inevitable," Miller continued, "in which faith in the ability of the government would have been destroyed, the rebellion would have triumphed, the States would have been left divided, and the people impoverished. The National government would have perished and with it the Constitution which we are now called upon to construe with such nice and critical accuracy. That the Legal-Tender Act pre-

[47] Quoted by Boudin in his Government by Judiciary, Vol. II, p. 168.

[48] History of the United States—Rhodes, Vol. VI, p. 259.

vented these disastrous results, and that the tender clause was necessary to prevent them, I entertain no doubt." [49]

In these succinct sentences is embodied the essence of political wisdom. No government involved in a death struggle will call upon seven or nine or any number of Old Men to dabble and quibble about its fate. If such a government is worthy of its name, it will act first and seek judicial sanction afterward. No people are secure from the arbitrary exercise of power excepting those restraints which rise naturally from self-discipline and from the institutions they themselves have developed.

CONGRESS DETERMINES TO RE-ORGANIZE THE COURT BY ENLARGING ITS MEMBERSHIP

When the Supreme Court after considerable hesitancy voted by the closest margin to deny the legal tender power to Congress, both the executive and the legislative branches of the government were quick to accept the challenge. The number of judges on the Supreme Court bench was increased from seven to nine. A re-hearing was had on the issues. Rhodes stoutly denies that the court was packed.[50] Nor is it necessary to indulge in such opprobrious phraseology for delicate ears. The fact remains that those two new judges voted to support the power of the government and thereby reversed the Court's previous decision.[51]

All the surrounding factors strengthen the conclusion that the judges were appointed for their convictions on the matter, despite polite denial and the citation of various points by Hughes which give color of probability to the theory that President Grant who made the appointments on the very day of the first decision denying authority to the government, did not know what the decision was to be.

We agree, however, with Hughes that the re-opening of the case on short notice, and the reversal of the previous decision justified the public in divesting the Court of much of its glamour. It required many years of unremitting propaganda to restore this tribunal to its ancient grandeur in our scheme of government. But we reject as unworthy of the Chief Justice his conclusion on the facts that "stability in judicial opinions is of no little importance in maintaining respect for the Court's work." [52] If the decision was wrong in the first instance, it ought to be revoked; if it was impolitic that ought to be changed. The welfare of the country comes before the hollow assertion of the Court's infallibility and the immutability of its judgments.

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[49] History of the United States—Rhodes, Vol. VI, p. 261.

[50] Ibid., Vol. VI, pp. 271-2.

[51] Government by Judiciary—Boudin, Vol. II, p. 154.

[52] The Supreme Court of the United States—Hughes, p. 53.

THE NATIONAL BANKING SYSTEM IS BORN OUT OF THE CRISIS OF WAR

As a far-reaching consequence of the Civil War financing schemes, there was the inauguration of the national banking system. On January 1, 1862 there were more than fifteen hundred banks with the privilege of issuing notes for general circulation. No less than seven different kinds of notes were in circulation at that time, with resulting chaos as to their fluctuating worth, bedevilled also by vast numbers of counterfeit bills then extant.[53] Though these abuses cried out to heaven for reform, their elimination was not the primary factor in the establishment of the national banking system, but followed as a secondary beneficent consequence of the nation's dire needs for money.

Some medium had to be created for the successful flotation of government loans. This was effected by the provision in the banking act requiring that national banks must purchase at least $30,000 of United States bonds, and for the larger banks one third of the bank's capital had to be invested in government securities. But banks were given the circulation privilege by depositing those bonds and getting Federal notes up to ninety per cent of the bonds so deposited. The amount of notes to be issued was limited to $300,000,000. These notes were a valid currency to be used in paying all dues to the United States, and had behind them the full faith and credit of the United States as represented by its bonded obligation.

When the original objective of driving State bank notes out of circulation fell short of its purpose due to the hesitancy of State banks to surrender their local charters, the Federal government did not hesitate by subsequent legislation to force their notes out of existence by placing a tax of 10% on their issue.[54] By such heroic measures one of the most vital reforms essential to our economic system was effected during the thraldom of civil conflict.

A strictly limited note circulation backed up by the credit of the national government is only as good as that government's pledge of redemption. When its bonds were below par, the national currency experienced a depreciation of its value on a gold basis. Not long after the Civil War, those bonds came up to par, and even above,

[53] Political and Social Growth of the United States, 1852-1933—Schlesinger, p. 79.
[54] Economic Development of the United States—Lippincott, pp. 613, 616-17.

because of the government's promptness in meeting the national obligations. Consequently its currency was soon as valid as if it had full gold coverage in the vaults of the Treasury.

For seventy-five years after the founding of the Republic the American people were without a national currency. What did circulate was uncertain in value and its acceptance in settlement of debt was equally uncertain. After the Civil War, the economic revolution which it helped to foster brought forth industrial capitalism as the predominating influence in American life.[55]

Nor was that device for securing a circulating medium by pledging government credit a new one. England had tried that successfully. Marx devoted the full powers of his intellect to analyzing the Currency Principle on which the English Bank laws of 1844 was based. Fundamentally that legislation was predicated on Ricardo's bullion theory of the value of money—an English pound in circulation must have a gold pound put away in the vault for its redemption. When the great crises of 1847 and 1857 came, accompanied by a short crop and the necessity for exporting gold to meet foreign payments, the quantity of gold on hand was reduced, and the circulation was consequently diminished at the very time when means of payment were necessary to save debtors from ruin.

Finally, the provision of the Bank Act was suspended[56] and the government extended its support to the Bank of England, which issued additional notes unsecured by bullion to meet the demand for currency. This immediately relieved the financial stringency. Obviously our Civil War legislators were not initiated in the mysteries of Marxian economics if only because Marx had not yet written his major work. But empirical observers of government were acquainted with the facts of English policy in such a crisis, and they proceeded to adapt its methods to the American situation without benefit of the theoretical presentation of the factors involved or justification for the measures adopted in the emergency. The currency problem is still with us to-day, but from another point of view.[57]

IMMEDIATE AND INDIRECT CONSEQUENCES OF THE CIVIL WAR

Among the incalculable immediate and long time beneficial effects of the Civil War was the creation of a banking system adequate to the needs of modern capitalism. The direct consequences of that struggle was to preserve the Union and to break the power of the slavocracy. At the same time there was settled affirmatively and with finality the proposition that the powers of government were equal to the emergency which confronted the nation, and that none would be heard to cavil at the scope or nature of these powers in the face of imminent danger. Among the far-reaching indirect consequences of the war was the endowment with the amplitude of state power the leaders of industrial capitalism, who were to dominate the course of American history until the financial collapse of 1929.

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[55] Political and Social Growth of the United States, 1852-1933—Schlesinger, p. 131.

[56] Marx's analysis of the Currency Principle is in Capital, Vol. III, Ch. XXXIV, with numerous other references throughout his work.

[57] Capital—Marx, Vol. III, pp. 491, 586, 623, 631.

All historians recognize that something tremendous happened to this country as a consequence of the Civil War. Farrand describes the fact of the transformation of the United States from an agricultural to a predominantly industrial economy.[58] Hacker and Kendrick narrate the progressive steps whereby this metamorphosis was accomplished.[59] Schlesinger devotes himself to the description of the changes wrought in American life by these subterranean social forces as they were unloosed from the restraints existing prior to the elimination of the slavocracy as an effective power in government.[60] Beard contents himself with an elaborate selection of facts to emphasize his economic interpretation of history and the role of what he describes as the new industrial baronage. Hacker, who by far is the more penetrating writer of that period, emphasizes the impetus to our national development following from the new policy on the public domain, the tariff system and the national banks.[61]

These particular presentations are important, even indispensable. But they must fall short of the supreme goal of history unless they can present the nature and origin of the social forces which operated through the inter-play of the divisions within the social structure to produce the events of which historians give us selected samples. Questions may well arise as to the validity of the samples offered, but once the laws of social motion are analyzed then all the facts to which they gave rise, known and unknown, must fall within the boundaries created by the operation of the laws of social motion as established by the Historical Field Theory.

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[58] Development of the United States—Farrand, p. 263; whole of Ch. XIII.

[59] The United States Since 1865—Hacker and Kendrick, pp. 32-7.

[60] New Viewpoints in American History—Schlesinger (1937 ed.), pp. 247-50.

[61] Rise of American Civilization—Beard, Vol. II, pp. 172-4; The Triumph of American Capitalism—Hacker (1940), pp. 363-8.

SOUND CURRENCY, SOUND BANKING, SOUND CREDIT NECESSARY TO THE EXPANDING ECONOMY

Modern capitalism differs from the merchant capitalism which it superseded by the greater proportion of goods produced which enter into circulation as commodities. It requires a long process of social development for a bootmaker to evolve, although mankind wore footgear long before that time. A pair of shoes will be just as serviceable, everything being equal, whether they are made by the village cobbler upon order for his limited market, or if they are produced by a large manufacturing plant in Massachusetts for general distribution throughout the United States.

In the latter case many important elements enter into play. First, there are required larger masses of capital than are usually at the command of an individual or a partnership. Secondly, every effort must be made to reduce the period of turn-over during which time capital is tied up and cannot repeat its cycle until the goods are sold and the cash received. A capital which turns over twice a year is, generally speaking, twice as effective as a capital turning over only once a year in the same line of production. The producer of shoes who completes his cycle more rapidly has a decided advantage over his competitor whose capital does not turn over so quickly. His profits will be greater, and he will be able to reduce his prices at the same time.

The period of turn-over itself is divided into two phases: the first is the working period, the second is the time of circulation. The study of technology will indicate how revolutionary are the transformations effected in the methods of production due to the necessity for creating similar goods in quicker time. From our present standpoint we are chiefly concerned with those historical changes which tended to facilitate the period of circulation, in which obviously the means of transportation and communication must play a decisive role. It is precisely after the Civil War that the United States experienced its tremendous boom in internal improvements.

Banking, too, underwent a concomitant transformation. Its operations began to assume a vital role in our economy in proportion as production became generalized for the average consumer. By various commercial devices it was possible to reduce the tie-up of capital through the mechanism of credit operations. A solvent and going business could obtain advances on all phases of the industrial cycle, beginning with the outlay for raw material in the beginning of the productive process, and so through the working period until the goods were sold on credit and the bill discounted.

Spahr estimates that not less than 90 per cent of our exchanges are effected by the mutual extension of credit, with the settlement of balances only in cash.[62] The credit system accomplishes for the general economy what the Clearing House does for the medium of circulation. Without clearing houses, the mass of money required for the circulation would be enormously increased. Without the credit system the mass of capital required for the carrying on of a similar amount of business would likewise be enormously increased. The rate of profit, if not the mass of profit, would decline, and the production and exchange of wealth would be slowed down.

Since business enterprise is essentially an exchange of goods or services, if all buyers could meet all sellers simultaneously and exchange their commodities no money and no credit would be required. The device of money was perfected to overcome the effects of an impossible situation with the development of society. For the same reason the credit system was perfected in order to effect the exchange of goods and allow the cancelling out of claims and counter-claims.[63]

"Credit," writes Seager, "is not capital. It may enable the person who enjoys it to secure capital. It may even, to the extent that it serves equally well as the medium of exchange, take the place of capital in the form of standard money. . . . What the business man wants when he borrows from a bank is purchasing power." [64] It must be plain that the smooth functioning of the credit system depends upon the ability of debtors to effect their turn-over and settle the claims against them.

Marx and Engels show how the development of the credit system, without which modern capitalism could not maintain itself, carries within it the seeds for future crises.[65] Since production, transportation, credit, banking and capital accumulation is to play a preponderant role in American history during the post Civil War period, it is impossible to understand that history without first mastering the mechanism of its political economy. It is conceivable that the national banking system, or one similar to it would have come into being despite the restraining influences of the slavocracy and their spokesmen; but by the same token it is incontestable that the de-

[62] Economic Foundation of Business—Spahr, Vol. I, p. 439.

[63] Economics—Curtis, p. 295.

[64] Principles of Economics—Seager, p. 353.

[65] Capital—Marx, Vol. III, pp. 515, 522.

struction of the Southern slave power was a prime consideration for the unfettered growth which the country later experienced.

ASSERTING THE POWER TO TAX AS THE POWER TO DESTROY

When the Civil War Congress observed that the State banks were unwilling to surrender their privileges of note emission, these Northern statesmen took the rein in their own hands and with the ruthless efficiency which even democratic governments can exhibit in time of crisis executed its resolve by imposing a tax of ten per cent on all state bank notes. There was no equivocation about it. There was no resort to highly-involved constitutional circumlocution as would have been necessary in pre-war days.[66] By the simple fiat of a Congressional act duly approved by the President, order was established out of chaos in the monetary system of the nation, and there was none to question the scope of legislative authority in the premises.

The Great Chief Justice had laid down the maxim in the famous McCulloch vs. Maryland that the power to tax was the power to destroy. Involved in that historic adjustication was the power of the State of Maryland to tax out of existence a creature of the Federal government in the shape of a branch of the Federally chartered United States Bank. The principle then enunciated was intended to preserve the power of the national government to create organs within the amplitude of the authority granted to it.[67]

Some modern critics have been inclined to question the validity of Marshall's sonorous phrase. So did a State bank take up to the United States Supreme Court for review the power of Congress to impose a ten per cent tax not for the purpose of raising revenue, but with a view to restraining the circulation of state bank notes in order to establish a monopoly for a uniform national currency. The Court held in the Veazie Bank case that while the power to tax may be exercised oppressively upon persons, that is purely a legislative matter for Congress to determine and not for the courts to correct; for to undertake that function would be a plain act of usurpation of legislative power by the judicial branch of government.[68]

In another case the Supreme Court ruled that it could only interfere in tax matters where Congress violated the limitations imposed by the Constitution itself, namely that no tax can be put on exports, that a direct tax must be imposed by the rule of equal apportionment, and an indirect tax by the rule of uniformity throughout the jurisdiction. Boudin who has a keen eye for polemic against the Court nowhere questions the validity of Marshall's dictum on the taxing power.[69]

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[66] Rise of American Civilization—Beard, Vol. II, p. 109.

[67] Supreme Court of the United States—Hughes, p. 100.

[68] The Supreme Court and the National Will—Alfange (1937), pp. 176-7.

Constitutional maxims are not, however, self-enforcing, and one can readily imagine what would have been the consequence of any attempt to impose such a tax on state bank emissions prior to the Civil War; of which South Carolina's nullification in 1832 would have been a fair example.

Many years later Justice Brandeis applied the Marshall principle of constitutional construction in protest against attempts at income tax evasion methods devised by astute lawyers to defeat the purposes of Congress.[70] Taxation is an attribute of sovereignty, and no limitations can be read into the Constitution that have not been put there by the framers themselves.[71] It would appear, therefore, that Congress has in its hands a powerful hold over every phase of our economic life by the adequate exercise of the taxing power. But some will contend that this opens the road to tyranny. Possibly so. No one yet has devised a mechanical control against despotism, whether exercised by one or by many. That other maxim about eternal vigilance as to liberty is just as valid as that of Marshall's as to taxation.

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[69] Government by the Judiciary—Boudin, Vol. II, pp. 124, 206, 224, 279.

[70] Social and Economic Views—Brandeis (1930), pp. 295, 305.

[71] Ibid., p. 309.

CHAPTER XV

Expanding American Industrialism

SPANNING THE CONTINENT WITH STEEL

For many years after the extension of the national domain to the Pacific, Congress wrestled with the problem of building a railroad clear across the continent. Its construction presented no great difficulties from the financial or the engineering standpoint. Upon Congress' order in 1853, coupled with a generous appropriation, five routes had been surveyed with a view to the construction of three railroads along the best of them. In general, these routes approximated the forty-seventh, thirty-eighth, thirty-fifth and thirty-second parallels, together with the great overland route to California.[1] Since it would have been foolhardy to begin with more than one road under the conditions then prevailing, a long struggle, no less bitter because its underlying motives were concealed, ensued between the North and the South as to which road should be the first undertaken.[2]

Again the ancient device of compromise was resorted to with a proposal to build two railroads, one in the South from Memphis to San Diego, and the other from Lake Michigan to San Francisco; [3] but private capital looked coldly upon the devices of statesmen, so long as it was asked to share in the risk. Capital for a Northern route could be found in view of the enormous resources of the intervening territory; but the same private capital was timid before the known barrenness of the greater part of the Southern route. Under any circumstances, the government was prepared to extend generous subventions, both in direct land grants of enormous extent, and a credit of from sixteen to forty-eight thousand dollars per mile, dependent upon the difficulties of the terrain.

Time and again the South killed the northern Pacific railroad scheme by resort to various legislative devices.[4] All agreed such a road from the Mississippi was a vital necessity from the standpoint of the national welfare, but unfortunately, the South had its own ideas concerning the location of its eastern terminus. With the outbreak of the Civil War the restraining hand of the slavocracy was removed from the national councils. In the midst of this fratricidal struggle was begun the magnificent project of girdling our continental domain with bands of steel. Authorized in 1862 the connecting links were united in 1869.[5]

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[1] History of the People of the United States—McMaster, Vol. VIII, pp. 362-4.

[2] Ibid., Vol. VIII, p. 95.

[3] History of the United States—Rhodes, Vol. II, p. 359.

This was indeed a hand-made railroad in the literal sense, and it remains as a monument to the perseverance, the daring and the courage of the Northern people who found time for such creative efforts when so much of its resources in men and money and material was engrossed in the dogged effort to break down the resistance of its intrepid and resourceful Southern opponents.

It is noteworthy that between 1865 and 1874 over thirty-five thousand miles of road were built, doubling the mileage that had already been laid in thirty-five preceding years of intensive railroad construction.[6] A new spirit was abroad the land. During the last quarter of the nineteenth century of our history there is no question that private capital with all its qualities, both good and bad, was the unchallenged master of the government and the effective driving power in marshalling, creating, and organizing the economic resources of the nation.

THE UNITED STATES ECONOMICALLY STILL A SEMI-COLONY OF EUROPE

Such vast constructive enterprises necessarily involved the raising of large sums of capital. The problem now arises: Where did the United States obtain the capital to carry out the great industrialization projects which originated with the Civil War? One very important source was already discussed, the floating of immense issues of government bonds during the war. Another was investments from abroad. We must not overlook the fact that to Western Europe of the nineteenth century the United States stood in the relation of a vast semi-colony with the important exception that we were politically independent. But economically we functioned as a medium for European economic-financial exploitation.

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[4] History of the People of the United States—McMaster, Vol. VIII, p. 449.

[5] Growth of the American Republic—1865–1937—Morrison and Commager, p. 107.

[6] Development of the United States—Farrand, p. 253.

What were the characteristics of a semi-colony in the nineteenth century? First, it must possess the capacity for absorbing surplus population. Second, it must be a producer of raw material in exchange for finished products. Third, it must be able to offer a favorable field for the employment of capital as a profitable investment. The United States functioned admirably as regards all these prime considerations. But there was one vital, all-important exception. We were really independent. Even independence was in our favor, for Dutch, Swiss, German and French capital found their way into our markets on equal terms with the preponderant English capital.

Of the three billion three hundred million dollars of foreign investments in the United States at the end of the nineteenth century, the greater part went toward the financing of our railroads. Many reasons entered into this situation. In the first place, the good credit rating of the American national government was reflected in its major industries. Railroads by their very nature performed a quasi-governmental function. Rates where regulated had to take into consideration the need for meeting fixed charges. Even during the wildest orgies of speculation in railroads the cash realized from bonds went toward their construction, or at least the roads were worth their outstanding prime indebtedness. With the growth of the country there passed off the effects of early financial debauchery in this indispensable public utility, with the result that in 1900 the Interstate Commerce Commission valued the railroads at $11,490,000,000, half of which was represented by bonded indebtedness and the other by outstanding stock.[7]

Foreign investments here were purely on a business basis.[8] Obviously there was not involved the essential element of political control which is the keystone of imperialism. No foreign country was more heartily disliked in the United States at that time than England, yet at the turn of the century her investments here amounted to the enormous sum of two billion five hundred million dollars.

There was no philanthropy involved in this. No private European foreign investments are ever made on such a basis. It is therefore unfortunate that a responsible representative of the New York Stock Exchange should have undertaken recently to float a loan to assist the Queen Wilhelmina Fund for the support of the exiled Dutch government by pleading Holland's beneficence to us in our time of travail. The American public is reminded that Holland advanced us funds in 1782 when we were hard pressed in our struggle for independence, and later after the Civil War Amsterdam offered a sympathetic market for our railroad builders and industrialists.[9] It is with no intent to belittle the importance of that assistance at a critical juncture in our history that we state that the war had been won at Yorktown a year before; that Holland was our ally in a struggle into which she entered, properly enough, in the furtherance of her own imperial interests; and that the rates charged by the Amsterdam merchants were usurious, which nevertheless the United States paid regularly.[10]

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[7] The United States Since 1865—Hacker and Kendrick, p. 163.

[8] Economic Problems of Modern Life—Patterson and Scholz (1931), p. 221.

Nor need we emphasize that after the Civil War our market offered the most favorable field for Dutch investments, and that it was on this basis alone that they were made, or should have been expected. International finance was a new game for our up and thriving Wall Street men during the 1920's, but the older hands in Europe never knowingly let their capital come here unless it were well and properly protected. As all the world knows capital is a very demure, timid little thing very easily frightened and often lost, but it usually has worldly-wise chaperons about it; and capital for the foreign investor seldom strays very far off the beaten path on the international field.

Disaster sometimes did overtake these foreign investments in our domestic market, and the only reason that prevented these European philanthropists from sending over their effective collection agencies was the fear that the United States possessed similar agencies to repel them. Our independent sovereignty and the means to maintain it prevented the United States from being reduced to the status of an international hunting ground. Nor can it be urged that England did not take full advantage of her opportunities during the most critical period of the Civil War when matters appeared desperate for the Union cause when she attempted a dagger thrust in the back; [11] if not in the same manner, at least with the same general objective that President Roosevelt described when he characterized Italy's thrust into the rear of staggering France [12] in the fateful June days of 1940.

CLASSICAL HISTORIANS ON THE ORIGIN OF AMERICAN FORTUNES

Innocents abroad are not confined to Mark Twain's good natured American travelers to distant lands; they abound with equal luxuriance among our historians and economists in their native habitat. Few of them have taken the trouble to inquire into the origin of the vast masses of capital which began to fill the land during the period after the Civil War. Fewer yet have concerned themselves with the mysterious processes of capitalist economy which was to dominate the American scene for the seventy years following the outbreak of the Civil War. It is so much easier, and much more interesting, to discuss the vivid personalities in business and politics of those times.

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[9] Robert P. Boylan, vice-chairman of the New York Stock Exchange, in New York Times, June 13, 1940.

[10] History of the United States—Hildreth, Vol. III, pp. 363, 420, 429, 447, 459; Vol. IV, p. 127.

[11] Great Britain and the American Civil War—E. D. Adams (1925), pp. 264-70.

[12] New York Times, June 11, 1940, Roosevelt's address at Charlottesville, Virginia.

Rhodes expresses the typical historian's mind when he points out that "a close examination of social forces will show us causes more potent than the civil commotion in bringing about the alteration that is so striking a fact of the last half century. These far-reaching forces are the railroad and its adjunct the telegraph." [13]

Had Rhodes refrained from particuliarizing his generalization, it would have tended to maintain that halo which surrounds the philosopher so long as he remains with his abstractions. Social forces are terms which appear to trespass upon our own particular preserve, but the fact remains that means of transportation and communication are the end result of social processes, and not the forces themselves. Modern capitalism brought those necessities into being. Before it other methods sufficed. Without them, capitalism could not survive in a competitive world, which is the real world of capitalist enterprise during its progressive phase.

Railroads and the telegraph are simply forms of the existence of industrial capital, and it is altogether immaterial as regards their function whether this capital is in private or public hands. As long as it is maintained as a private enterprise capital so invested must yield its average rate of profit. No one has yet pointed out capital so used by its owners purely as a public service. Once it is so used, it ceases to function as industrial capital and becomes a public convenience or a philanthropy.

It is not the thing itself but its function which determines the status. Carnegie built and endowed many public libraries. Had the public library system been employed on a rental basis with the object of earning the average rate of profit, the buildings, books and plant would constitute so much capital. An educational system operated on a purely profit basis represents so much capital employed; a similar system operated as a public service still represents the same amount of wealth, but ceases to function as capital. It is, therefore, not the thing that makes it capital but its function in society. Our hard-headed capitalists abjure the Kantian system of the thing in itself for the pragmatic philosophy, without knowing much of either.

[13] History of the United States—Rhodes, Vol. III, p. 60.

PRACTICAL USES OF FUNDAMENTAL ECONOMIC PRINCIPLES

Some may inquire why this intrusion of abstract economic theory in such a practical matter as the discussion of historical fact. The answer is that no modern historian worthy of the name indulges in the mere narrative of the Administrations during the post Civil War period with all the accompanying intrigue, persiflage and backbiting which characterizes official Washington. They look for the stuff of history beyond that limited horizon without, however, minimizing the importance of the nation's nerve center. Their comely tomes are filled with more or less learned disquisitions on the rise of corporations, the concentration and centralization of capital, the prodigious period of industrial development, the phenomena of trusts, industrial disputes, crises and problems of a similar nature around which and in which gyrate the statesmen and politicians of old.

Our dispute with both classical and modernist historians consists in that they take the origin and nature of capital for granted, while those problems form the very essence of their story. Most of them deal with social forces when they speak of 1865 on to more recent times. The Great Man Theory of History by a peculiar twist they reserve for the period antecedent, as well as for the very time in which they breathe and live. How wise, how great, how good—or otherwise—are Roosevelt, Churchill, Stalin, Benito! So Napoleon dominated the more distant past while Hitler dominates the immediate present. To those who are concerned with the social forces in history Napoleon, Grant, Cleveland, Wilson, Roosevelt and Hitler all respond to their influence which are beyond the control of any single individual, though it may serve the immediate political purpose to declare otherwise.

Should one think our judgment of contemporary social philosophers too harsh, let him think upon Rhodes' explanation of the nature of post Civil War social forces when, believe it or not, he ascribes all our blessings and all our ills to the railroad and the telegraph. Or consider Professor Jordan's most strikingly profound explanation of the origin and nature of capital by trotting out the abstinence theory [14] immortalized by Nassau W. Senior over a century ago and long since exploded by Marx.[15] Of course, in polite circles Marx is not an authority upon anything except bomb-throwing upon which he wrote nothing, rather than on capital upon which he wrote so much and so learnedly that few have taken time

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[14] Economic Foundation of Business—Spahr; Article by Jordan, Vol. I, pp. 339-40.

[15] Capital—Marx, Vol. I, p. 654.

—or shall we say possessed the ability—to penetrate its profundity.

Our own Civil War and post-war period offer the most striking corroboration of Marx's theories of capital. We propose to give a few samples typical of the entire lot. But we cannot let pass the abstinence theory, according to which so many high-minded people sacrifice immediate pleasures for future benefits, without pointing out that Corey estimates that not more than fifteen per cent of the national capital comes from real abstinence on the part of consumers who actually earned their savings.[16] Mehring in line with his teacher Marx points out another source of capital through "abstinence," and that is the depression of wages below the usual standard of living.[17]

PROFITEERING DURING THE CIVIL WAR AS A SOURCE OF PRIVATE WEALTH

That reduction of real wages is one of the saddest realities of modern capitalism is proved by the wage and price level in the Civil War period. Using 1860 as the base, by 1862 prices had risen to 118 while wages lagged behind at 103. But the inflationary process was just gaining momentum. When the war ended in 1865 prices had reached to 217 while wages had risen only to 143.[18] Rhodes describes how the masses and those of the middle class dependent upon fixed incomes were compelled to stint on food, on clothing, and have recourse to Ersatz long before the Germans in the First World War invented the term to express the fact.[19]

But that real, physical self-denial was reserved for the masses. The newly-rich and war profiteers were never more ostentatious in their vulgarity. Importations of luxuries for them rose to amazing heights.[20] Gaiety in Washington rivaled the most carefree capitals of Europe. Newspapers of the day give vivid accounts of public and private depravity among the higher income-brackets of society, while Washington's Man of Sorrow wrote to a friend from his study in the White House this burning description of national disgrace: "Few things are so troublesome to the government as the fierceness with which the profits in trading are sought. The temptation is so great that nearly everybody wishes to be in it; and when in, the question of profit controls all, regardless of whether the cotton seller is loyal or rebel, or whether he is paid in corn-meal or gunpowder. The officers of the army, in numerous instances [so wrote their Commander-in-Chief] are believed to connive and share the profits, and thus the army itself is diverted from fighting the rebels to speculating in cotton and steamboats, and wagons in the pay of the government are set to gathering and carrying cotton, and the soldiers to loading cotton-trains and guarding them. The matter deeply affects the Treasury and War Departments and has been discussed again and again in the cabinet." [21]

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[16] The Decline of American Capitalism—Corey (1934), p. 346.

[17] Karl Marx—Mehring (1935), p. 393.

[18] Economic History of the United States—Lippincott, p. 619.

[19] History of the United States—Rhodes, Vol. V, p. 190.

[20] Ibid., Vol. V, pp. 209-12, 214, 216, 272, 285.

Iron manufacturers producing the wherewithal for the nation's armaments did not hesitate to raise their prices to the government from $23.87 a ton to $59.25.[22] While the soldiers fought and died on the battlefield or perished from disease, observers of the day like August Belmont, Harriet Beecher Stowe and John Sherman were remarking upon how rich and fat and sleek some people were growing out of the national suffering and the popular distress.[23]

Part of the Northern strategy in the Civil War was to shut off the South from intercourse with the outside world by means of a strict blockade. Lacking adequate resources for re-armament, the South would have succumbed earlier than she did, had the blockade been proof against smuggling and illicit trading over the lines.[24]

General Sherman wrote with infinite disgust that his great opponent, Bragg, was re-arming and revictualing his forces through the intermediary of Northern traders, while these purveyors of murder got their cotton for ten cents a pound and sold it in Boston for thirty cents, from whence it was used up in domestic production or disposed of in the English market. Writing to Grant, Sherman asked indignantly: "What use in carrying on war while our people are supplying arms and the sinews of war?" At another time he wrote that it made him ashamed of his countrymen every time he examined a load of cotton going North or intercepted supplies of munitions going in the opposition direction to effect an exchange at enormous profits.[25]

Our emancipated modern historians like Morison and Commanger talk the big words of Darwinianism when treating of the industrial revolution which followed the struggle as "a mere speeding-up process which eliminated the weak and strengthened the strong." [26] They dismiss with a mere allusion the ruthlessness and wastefulness, extravagance and corruption, speculation and exploitation that accompanied the conflict.[27] Certainly it is not our purpose to keep alive this brooding over ancient wrongs, did they not live to reappear again in present ones.

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[21] Quoted by Rhodes in his History of the United States—Vol. V, p. 301.

[22] Ibid., Vol. V, p. 199.

[23] Ibid., Vol. V, pp. 199-200.

[24] Development of the United States—Farrand, p. 230.

[25] History of the United States—Rhodes, Vol. V, pp. 285-6-7.

[26] Growth of the American Republic—1865–1937—Morison and Commager, p. 125.

When a writer speaks of the survival of the fittest as justification for an economic order that received its principal impetus on American soil in the capital accumulations filched from the precious blood of its soldier martyrs and the tribulations of an entire people, it is neither unseemly nor without purpose that we re-open those half-forgotten pages of our history. A very useful social purpose can be served by inquiring into the origin of those immense fortunes whose possessors and their descendants have so long dictated our laws, controlled our organs of public enlightenment, moulded the thought of our future generations and helped bring the world to the deplorable state in which we now find ourselves.

Man still has a hand in the making of his history, and the men whose hands were at the helm from 1865, together with their spiritual descendants up to 1929, throve upon the nation's travail during the fateful years of the Civil War and the lush period of their growth which followed that sanguinary struggle.

FORTUNES MADE IN SUPPLYING THE ARMY AND RUNNING THE BLOCKADE

No contention is offered that all capital had its origin in ruthless profiteering and shameless exploitation of a nation whose hands were tied in mortal combat for its very existence. We will presently indicate the more usual and normal sources of capital accumulation. But it is important that we demonstrate beyond cavil one indisputable, if highly disreputable source of capitalist hoards. If the more popular teachers and writers are compelled by the limitations of their profession and the demands of a text-book to pass lightly over this phase of our history, that is all the more reason why others in each generation should keep that memory alive for the lessons that it teaches us.

Gustavus Myers has performed a noteworthy public service by reproducing from the original sources evidences of the rise of many great American fortunes from the graft, the vice and corruption of men while a gallant people was fighting with exemplary courage for the preservation of its national unity. We pause in admiration of his more recent publishers, members of a responsible and aggressive house, who had the courage to preserve that document for the

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[27] Ibid., p. 5.

American people under their imprint, together with the note that "no one yet has challenged a single fact in Mr. Myers' work. Every statement is made with the authority of corroborated and proven evidence."[28] Myers' work has now become standard equipment in every historian's library.

His analysis of the Vanderbilt fortune as it skyrocketed from the plundering of the public treasury in mail subsidy and soldier transport frauds, is but a sample of the rest.[29] "The Federal armies," he writes, "not only had to fight an open foe in a desperately contested war, but they were at the same time the helpless targets for the profit-mongers of their own section who insidiously slew great numbers of them—not, it is true, out of deliberate lust for murder, but because the craze for profits crushed every instinct of honor and humanity, and rendered them callous to the appalling consequences. These capitalists passed, and were hailed as eminent merchants, manufacturers and bankers."[30] As the lawyers put it in their pleadings, all the pertinent facts contained in Myers' work relating to the Civil War period beginnings of great capitalist accumulations are hereby made part of this record.

While keeping in mind the origin of these great American fortunes, we should not lose sight of the large numbers of smaller traffickers in their nation's woe. The problem of cotton supply was a difficult one. It follows from the very nature of war that trading with the enemy should cease. Yet the great English cotton industry was dependent to a large extent upon the United States for its raw material, and our government was anxious to appease their insistent demand which might otherwise resort to blockade running or open recognition of the South as an independent nation. Consequently Lincoln sanctioned the policy of a limited trade upon the theory that all confiscated cotton in the region of the Northern advance was the proper spoils of war.[31]

So effective was the American blockade that English supplies of cotton from the United States fell from a pre-war two and a half million bales to only two hundred thousand in 1864.[32] Our own manufacturers' supply was cut down from over eight hundred thousand bales to only two hundred thousand for those years.[33] The long, patient and tedious work of the United States Navy, with little occasion for the display of heroics in the hum-drum but vitally necessary work of the blockade, contributed as much as any other factor on land to the ultimate victory of the North.[34]

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[28] Modern Library Publishers' note on page 7 of Myers History of Great American Fortunes, 1936.

[29] History of Great American Fortunes—Myers, pp. 292-8.

[30] Ibid., p. 292.

[31] History of the United States—Rhodes, Vol. V, pp. 276-8.

[32] Ibid., Vol. V, p. 280.

[33] Ibid., Vol. V, p. 299.

The Confederacy had worked upon the theory that cotton was king, and it was thought that if they would withhold their supply from England and France recognition of their independence would thereby be hastened. Such indeed was the policy of the ruling classes in those countries. The French Emperor trickily offered to mediate between the factions but Seward declined the offer, and the pale counterfeit of the great Napoleon did not have the courage to proceed further without the diplomatic support of England.[35] Despite the great suffering of the English working class due to unemployment ensuing from the crippling of the cotton industry, nevertheless they stood loyally by the North because they opposed slavery. It was their determined stand which prevented the English ruling class from embracing the fortunes of the South when the Union forces suffered their severe early defeats.[36] The North out of gratitude sent a shipload of flour, bread and meat to the suffering workmen of Lancashire.[37]

Under the complex of these contradictory forces the Union Government was compelled to loosen the otherwise strict rules against trading with the enemy, despite Grant's firm stand that any let-down of the bars must result harmfully to the Union cause.[38] The military governor of New Orleans, Colonel Butler, after its capture engaged openly in illicit trade for his own account, using government equipment for its transportation and detaching companies of soldiers to guard his contraband. His brother, General Butler, excused his speculations on the ground that he made only two hundred thousand dollars out of it, and having secured his modest fortune, was about to retire. However Lincoln saved him that inconvenience by removing Colonel Butler from his command.[39]

THE CONFEDERACY SUFFERS THE CONSEQUENCES OF ITS OWN PROFITEERING

Nor could the South itself escape from the moral blemish of such a traffic where necessarily two were required to strike a bargain. Its leaders protested against these merchants who grew prosperous out of their country's misfortunes. Charleston, it was declared, was a haven for speculators who carried on their trade not with an eye for replenishing the meager military stores of the Confederacy, but for the sole aim of personal enrichment. Naturally bribery and every form of corruption had to be their common resort.

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[34] History of the United States—Rhodes, Vol. V, p. 399.

[35] Ibid., Vol. IV, p. 348.

[36] Ibid., Vol. IV, pp. 84-5.

[37] Ibid., Vol. VII, p. 364.

[38] Ibid., Vol. V, pp. 302-3.

[39] Ibid., Vol. V, pp. 306-7.

Transports cannot leave unobserved from a busy harbor, nor can its bulky merchandise remain unconcealed. True, presses were devised and employed in the Southern shipping centers to reduce cotton to the smallest possible bulk, but that was only for the purpose of storing a larger cargo. A Southern blockade runner made nine trips before she was captured, but by that time she had not only restored to her owners the original investment, but paid a dividend of seven hundred per cent besides.[40] At Charleston the traffic was looked upon by most as a legitimate private enterprise for private profit, where the return cargo was brought in with a view to its resale value rather than its usefulness to the Southern cause.[41]

The Confederate government policy on blockade running vacillated between its condemnation because of the moral havoc which followed its wake, and the recognition that some part of the illicit trade resulted in bringing munitions, supplies and medicines to their hard-pressed forces.[42]

President Davis considered this traffic as harmful on the whole to his cause, while his Secretary of War, Seddon, was outspoken against the demoralizing influences of profiteering which infected all classes of its population, civilians as well as soldiers, officers as well as responsible government officials.[43] An officer assigned by General Bragg to report upon the effects of this profiteering in the territory within his command gave it as his considered judgment that Yankee gold was fast accomplishing what Yankee arms could never achieve—the subjugation of the people. Finally, as an act of self-preservation General Lee in 1864 ordered the strictest compliance with the official regulation controlling trade in cotton and tobacco unless specifically sanctioned by the Secretary of War.[44]

The usual apology offered for this trade on both sides was that its benefits, by making available indispensable supplies, outweighed its known possibilities for harm. Under strict regulation, and without the insidious poison of private profit from a nation's misery, there is something in that specious justification. But in essence that is all it was, just a shabby excuse for a shameless fraud perpetrated against the national welfare. Many a capital hoard which later automatically endowed its possessor with all the virtues of heaven and of earthly abstinence to boot, had its origin in the traffic so heartily despised by the noblest minds on both sides of this tragic fratricidal war.

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[40] History of the United States—Rhodes, Vol. V, p. 401.

[41] Ibid., Vol. V, p. 402.

[42] Ibid., Vol. V, pp. 411-13.

[43] Ibid., Vol. V, pp. 413-15.

[44] Ibid., Vol. V, p. 418.

THE WAR BOOM PERIOD IN BOTH NORTH AND SOUTH

Profiteering at the expense of the government and of the general consuming public was already indicated in the glaring disparity evidenced by the rise in prices of over a hundred and twenty per cent while wages rose only fifty per cent. Agriculture suffered even worse. One of its spokesmen contended in 1864 that farmers were selling their wheat and beef at prices actually lower than at the outbreak of the war, and that in depreciated currency; while as a purchaser, where three years before a bushel of wheat would secure ten yards of cloth of New England manufacture, to-day it would purchase but two.

After 1862 business in the North was reaching toward boom proportions. Money was flying around in all sorts of reckless extravagances, beginning with the enormous expenditures for war itself. All blessings seemed to flow from the human and material destruction of the battlefield. Prices were high, wages were low, the farmer individually was helpless before the power of the commission merchant and the army contractor, while government money was being literally shovelled out in the all-absorbing anxiety of its responsible leadership for a speedy and successful conclusion of the conflict. "Business," wrote Rhodes, a wealthy man himself and far from being an apostate to the social order from which he drew his wealth, "business, though feverish, was good; and many fortunes of our day had their origin in the excited business years of 1863 to 1864, when sales were easily made, most transactions were for cash, and nearly every one engaged in trade or manufactures seemed to be getting rich." [45]

Observers of the day reported that these very accumulators of fortunes, far from being the knights of the woeful countenance in pursuit of abstinence as the Don Quixotes of economic literature paint them, were living lives of unparalleled luxury in Boston, New York and the North generally.[46]

What then is this mysterious source of capital which keeps on accumulating even faster than its possessors can spend it? Every sincere student of our history can no longer content himself with the cheap apologetics and vulgar theoretical subterfuges of the official stipendiaries.

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[45] History of the United States—Rhodes, Vol. IV, pp. 509-10.

[46] George Ticknor's Life and Letters—Vol. II, p. 456; quoted by Rhodes in Vol. IV, p. 510.

Nor was this process of wholesale moneymaking confined to the North. Southern leaders raised their voices in apparently impotent protest against those who battened on their country's woes. Whatever manufacturing did exist there paid enormous profits. Dividends of banks, insurance companies and railroads ran, according to public notice, to as high as twenty per cent, which was much less than their actual gains. Some railroad enterprises paid from thirty to sixty per cent on their investment. By official statute, profits of uniform makers for the Confederate Army were limited to seventy-five per cent.[47] One army contractor had the temerity to protest against that limitation. During the war all transactions were on a cash basis.

In almost the identical words of his great Northern antagonist President Jefferson Davis protested in a public letter that "the passion for speculation has seduced citizens of all classes from a determined prosecution of the war to a sordid effort to amass money." [48] In his very capital, at the time when the South was having the bitter cup of defeat pressed to its lips, a journalist complained that while flour was advertised at one hundred and twenty-five dollars a barrel, the shops of jewellers dazzled with displays of diamonds while gorgeously caparisoned females would be prancing at five aristocratic balls that very night. Vice and crime of all sorts increased in Richmond, Atlanta, Charleston and other large cities of the South.

Even the meager supplies and allowances of the brave Confederate troops were filched from them by a quartermaster who had been living at the rate of five to ten thousand dollars a day.[49] While the University of Virginia with an enrollment of over six hundred students in 1861 was reduced to less than forty by sending her noblest sons to the fields of battle, many a noble fortune, in the language of capitalist sycophants, was being moulded by Southern gentlemen out of their blood and their sinews, not forgotting the nibbling and cribbling at their meager rations. Here indeed was abstinence with a vengeance, but scarcely of the type that Jordan and his fellow nursery rhymesters in the universities would care to prate about in their text-books on the blessed origin of capital accumulations.

MODERN HISTORIANS ON THE SHADIER ASPECTS OF THE CIVIL WAR

Modern historians have to a considerable extent emancipated themselves from the traditional formulas of the economists. Professors Jeanette and Roy Nichols in a recent book speak in cautious language of the fact that "while the thousands were being killed or wounded on the battlefields, the hundreds were reaping a rich reward in supplying the armies, opening up new business or agricultural enterprises, or in speculating on the chances of victory or defeat. But wages did not rise as fast as prices and the poor suffered in the midst of plenty." [50]

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[47] History of the United States—Rhodes, Vol. V, p. 422.

[48] Ibid., Vol. V, p. 424.

[49] Ibid., Vol. V, p. 430.

Beard in his usual forthright language denounces bitterly the tricks of swindlers who robbed their government, their soldiers and their people with indiscriminate and impartial abandon. He is inclined to accept the estimate of one authority that from one-fifth to one-fourth of the costs of the war to North were squandered in corrupt or unconscionable bargains, while his economic determinism impels him to listen with favoring ear to the lamentations of one "competent" Southern writer who attributes the downfall of the Confederacy to the curse of corruption.[51] On this score, however, we are inclined to accept Rhodes' judgment that Jones' opinion may be disregarded as a spasmodic ebullition of regret. While conceding Jones' accurate knowledge of the Confederacy's War Department files, Rhodes expresses the view that such a conclusion could be entertained only by a narrow judgment.[52]

AN INDUSTRIAL NATION IS BORN OUT OF THE TRAVAIL OF WAR

All observers are agreed that industrial capitalism received a tremendous impetus after the Civil War. First, there must be considered the legitimate war industries themselves. Iron production experienced the first fruits of the war in orders for enormous quantities of military supplies where that enters as a basic material. As a consequence, the newly-discovered iron deposits around Lake Superior gave rise to the iron mining industry in that area, which in turn spurred on the lake transport industry, and all reacted to stimulate the production of coal.

Railroad transportation soon felt the benefits of this increased traffic. New England was kept busy producing shoes for the army, while in Chicago the great packing establishments owed much to the war contracts for supplying the needs of our armed forces. Lead and copper mining began to be extensively developed, while the use of petroleum and natural gas on a large scale date from the period of the Civil War.[53] The oil industry alone at the close of the struggle

[50] Growth of American Democracy—Nichols (1939), p. 267; also pp. 293-4.

[51] Rise of American Civilization—Beard, Vol. II, p. 92.

[52] History of the United States—Rhodes, Vol. V, p. 431.

[53] Economic Development of the United States—Lippincott, pp. 296-8.

was estimated to have a capital of over half a billion dollars.[54] The Wall Street as we have come to know it really began to assume its economic significance after 1860, though its heart, the New York Stock Exchange, had been in existence for over forty years before the Civil War.[55]

Great quantities of capital were accumulating in hundreds of little pools in country banks. These funds gravitated inevitably into the common reservoir of the national supply in search of profitable investment, and soon investment houses arose to take with one hand, and give out with the other; always making certain of a substantial spread between the taking and giving prices for funds, besides additional profits for those on the inside in the form of bonuses.

Comparative statistics on manufactures for 1860 and 1870 present a startling proof of the impact of events upon the economic system which was to assume unquestioned control of our government, and shape our ideologies, for the next seventy years. Bearing in mind that the figures for 1860 show the accumulated result of the industrial process which had gotten headway after the War of 1812, and that the data for 1870 reflect the devastation of an exhaustive war, the significance of the industrial development they indicate in so short a time is considerably enhanced. The number of establishments in 1860 were 140,000, in 1870, 252,000; wage-earners, 1,300,000 and 2,050,000 respectively; capital, $1,000,000,000 and $1,700,000,000; value of products, $1,900,000,000 and $3,400,000,000.[56] The comparable data for 1920 is: number of establishments, 290,000; of wage earners, 9,000,000; of capital employed, $44,500,000,000; and value of products, $62,400,000,000.

Later in the course of our investigation we will discuss rather fully the import of these figures. But from the present standpoint of our discussion we observe chiefly the extent of the expansion of industrial capital in the decade of the Civil War due to the freer play of the social forces now unloosed from the political limitations which had hitherto imprisoned them, while the data for 1920 is presented only for the purpose of emphasizing how virile were these social forces developed by industrial capitalism once it has succeeded in creating a political medium more suitable for its requirements.

CONTINUED GROWTH OF HOMESTEAD FARMING

Even in the midst of the Civil War emigration on a large scale was being experienced in the West. As a consequence of the liberal provisions of the Homestead Act the number of farms doubled from two to four million in the brief span of twenty years after it went into effect. The wise policy of this law gave free farms of one hundred and sixty acres to adult citizens who would occupy and improve the land over a five-year period. As a consequence the improved farm acreage suddenly expanded. A brisk demand was created for building materials and farm implements.

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[54] Growth of American Democracy—Nichols (1939), p. 292.

[55] Economic Development of the United States—Lippincott, p. 653.

[56] Ibid., p. 466.

Agriculture itself underwent a transformation of far-reaching importance, for subsistence farming now gave way to the production of cash crops in order to obtain funds for those essential capital improvements. Hitherto economically worthless land now began to assume great importance because of its income-producing properties. The value of farm property increased in those twenty years over four billion dollars, only a fraction of which was represented by actual improvements in the shape of buildings, implements, preparing the soil by levelling, draining and so forth.[57] A national asset in land was now calculated in capital values far beyond the fixed capital actually put upon or plowed into the soil.

Apparently capital is something more than the result of abstinence, even on the part of that element of our population which has the fullest right to assert that its wealth is the product of their own toil.

The reader, doubtless, must have been impressed by the enormous increase in industrial capital by the year 1920 as compared to 1860 and 1870. That data was given for the very purpose of raising a question in the reader's mind as to the nature and origin of that very capital to which our country undoubtedly owes its greatness. Even if the owners of industrial capital had abstained from the commonest comforts of life which the poorest of their workmen enjoyed, and plowed every cent back into the business of manufacturing, capital could not by mere abstinence on their part have increased forty-four times in sixty years. We have yet to solve the problem of its increase, but we have already indicated some of the sources of its acquisition.

In the case of land, particularly in large centers of population where location is unique and commands a high premium, capital values at times assume fantastic proportions in relation to the initial investment. It must be patent that capital is not only a thing, but a social force, and that a great part of its value is not intrinsic but economic, insofar as it depends upon the operation of these social forces evolved from the definite arrangements of the component elements of the social structure. Land has always had an economic value to man; it is only under a definite social arrangement that land functions as capital and possesses exchange value.

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[57] Political and Social Growth in the United States—1852–1933—Schlesinger, p. 132.

At this place, it is necessary to emphasize the point made by Lingley that the statistical character of an account of economic development should not obscure the historical details by which it was brought about.[58] We speak glibly about millions of farms being created out of an economic void, without attempting to describe how this apparent miracle was realized by single units who set out on a difficult trek to an unknown country, often encountering insuperable obstacles not only on the part of nature, but the more dangerous devices of man, even if he be primitive by our standards.

In his own domain and on his own scale, the individual Indian was always the equal and often the superior of the individual white man. But the scope of our inquiry, dealing with the origin, nature and development of the social forces in American history and the laws of their motion as they were developed from within the social structure of American society, does not allow of the detailed description of the processes by which the end results were achieved.

BRILLIANT INDUSTRIAL LEADERSHIP AS AGAINST THE POLITICAL MEDIOCRITIES OF THE PERIOD

The reader, too, must have remarked that comparatively slight attention has been given so far to the political phases of our history during the post Civil War period. This is not because we consider those events unimportant so much as that they proved to be part of a vast process which, beginning to unfold with the Civil War, tended to place the center of gravity of American history until 1929 around its industrial development. Everything was drawn into its maelstrom; politics first, and with the control of the state, then the formation of our ideologies, and finally the subjection of all phases of social activity to the prime purpose of fostering and protecting the social class which was the principal beneficiary of the entire process.

For many years it was considered the height of blasphemy to question the God-ordained nature of these very limited and historical institutions. Here and there in the long reign of uncontrolled capitalism during the Period of Industrialism, agricultural and labor elements rose in what was at times violent protest against the injustices to which they were subjected. But by various methods these unsatisfied but numerically powerful elements of our population were quieted; sometimes by judicious reforms, sometimes by political sops, often by the subtle influences of propaganda from school, from church, from the press and the political rostrum along the general tenor that in this society of abstract freedom and laissez-faire each received what was his just desert, and any subsequent protests came from the ill-will of a bad loser. Where persuasion could not prevail, force did, and the enemies of society were repressed with a firm hand, particularly labor and its spokesmen, in many a hard-fought battle on the industrial field.

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[58] Since the Civil War—Lingley, p. 75.

From 1865 to 1900 the history of the United States is predominantly the story of the great captains of industry and of the emergence of the future Napoleons of finance. If only President Cleveland of all those who occupied the White House during those years merits attention in this narrative, it is not because of disrespect for that high office and the men whom the American people had selected to represent them.

Bryce very diplomatically selects Grant as deserving of historical remembrance upon his intrinsic merits, but that is merely a gesture of respect to the military leader and not to the executive officer. This astute English commentator finds only three among the long line of Presidents from the founding of the Republic to the close of the nineteenth century who attained to the first rank of statesmanship—Washington, Jefferson and Lincoln.[59] If he does not include Cleveland, much can be said in expiation for the omission. Nevertheless that far-sighted, honest, and conscientious Chief Executive stands out in comparison to the list of mediocrities by whom his name is surrounded, in an atmosphere of public corruption unparalleled for its vicious, demoralizing influences in our history.

In full conscience, the real rulers of the United States during those thirty-five years were a small group of industrialists with their financial satellites who actually controlled Presidents, dominated the major political parties though concentrating on the Republican Party, and men whose wishes were followed implicitly by a docile Congress which responded to the crack of the party whip. We place the industrialists in the first rank while the bankers and financial institutions played a subsidiary role as their agents.

This was no mere accident. The first J. P. Morgan was then in the prime of life, but the full flight of his impressive career came after 1900. Social forces far more powerful than he compelled the ordered sequence of events in the development of capitalist economy. Industrial capitalism had first to pass through the stage of concentration into gigantic trusts before finance capital could step in at a critical juncture and centralize those giant industries under the control of the banking interests. It is impossible to understand the progress of our historical development during these significant years unless one has mastered not only the indispensable facts of political history, but equally so the operation of the social forces which brought them into existence.

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[59] American Commonwealth—Bryce, Vol. I, p. 85.

Classical historians are not equipped with the necessary knowledge of political economy. The careful study of their writings indicates a painfully acquired knowledge of the facts, and among the recent writers there is evident a well-developed pro-social outlook which makes them view those facts in a far different light than the apologetics to which the classical historian resorted. But essentially their view is typical of the muckraking school which sets up an absolute standard of public morality and insists upon measuring historical figures by their own subjective foot-rules.[60]

Vanderbilt, Gould, Drew, Cooke, Rockefeller and the rest were also the product of the times in which they lived. These men and their methods would be impossible to-day because the historical conditions which brought them forth, and which they in turn helped to shape, have passed away never to return. But it is incumbent upon us to understand how these men arose to assert their enormous power over the economy, the state and the ideological superstructure of the society of which they were a part.

CAPITALIZING A NATION'S PRODUCTIVE POWERS

Since the abstinence theoreticians of the origin of capital hoards still abound in the land it is important for the rational analysis of this vital Industrialization Period in our history to emphasize what has already been amply demonstrated, that by far the bulk of capital in this lush period came not through the gradual accumulation of wealth from income, but, on the contrary, from the engrossment of the public wealth by a small group of scheming men who transformed the country's natural resources and the national productive powers into their private preserve through various devices. This was possible on a large scale when the country was young and its natural wealth undistributed. From 1900 to 1929 we shall see that the bulk of private fortunes came from an entirely different source, from private production and public exploitation on a vastly enlarged scale. Our immediate problem is to investigate the sources and social consequences of capital accumulation from the Civil War to the turn of the century.

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[60] Typical examples are: Too-Big—Earnst (1940), p. 17; The Growth of the American Republic—Morison and Commager (1937), pp. 73, 74, 75; Growth of American Democracy—Nichols and Nichols (1939), p. 305; March of Democracy—Adams (1933), Vol. II, p. 37.

Capital is a form of wealth that entitles its owner to a share in the distribution of the economic revenues. By economic revenues we mean the usufruct remaining at the end of the industrial cycle after deductions for labor, maintenance, depreciation, and materials consumed, which are distributed in the form of claims to wages, interest, profit of enterprise and ground rent. Taxes normally are a deduction from the increment to the annual values which go to the holders of capital claims, and comes before the distribution to the bondholder, the landowner, and the stockholder.

While all capital is wealth, not all wealth is capital. A house used exclusively as one's dwelling assuredly is wealth. It becomes capital only when it is rented out, and a definite relation is sought to be established between cost, upkeep and income. A million dollars in cash is still a great deal of money, but it does not function as capital until it is put in a bank at interest or to some productive employment; in a deposit box it is still only wealth, not capital.

At another place we discussed those hair-line distinctions as to what constitutes capital. According to some, the youngster with a bootblacking kit is a capitalist. But we have seen that capital is such only in its relation and function. To the nickel bootblack his outfit is his means of production. It becomes capital only when another becomes its possessor and he must hire it, or sell his labor power for wages. But these theoretical distinctions are really of little importance except to the apologist and the man of uneasy conscience. Only our professors are worried as to who and what is a capitalist; in real life there is little difficulty in recognizing that status. Nor should we lose sight of the factor of the mass of revenues received from the relations to capital.

AMASSING PRESENT FORTUNES OUT OF UNBORN GENERATIONS

Capitalizing income is one of the earliest methods of accumulating capital. Many a great fortune is predicated upon nothing more than the ownership of a piece of land originally obtained for a song or less. Let us assume the net rental obtained annually amounts to fifty thousand dollars. Capitalized at a current rate of five per cent, that makes its possessor the owner of a million-dollar property, and one desirous of buying that income will not hesitate to pay that sum for the parcel. The same principle of capitalizing income, as we observed, gives a positive capital value of the highest quality to government bonds which are nothing more than evidences of debt made valuable only by the claim upon future national revenues through the exercise of the government taxing power.

Our early land speculators, we saw, grew rich by obtaining public lands cheap and selling them dear—a process of wealth-making as old as Civilization itself. During the Civil War many fortunes were evolved out of the process of profiteering, contraband running and hi-jacking the government on war contracts. Prior to the Civil War a fortune of $250,000 accumulated in a factory enterprise was still a rarity. After the Civil War enormous fortunes suddenly arose whose blinding glare hypnotized the covetous and enthralled the host of worshipful sycophants in the seat of government, in the editorial sanctum, in the professor's lecture-room and in the minister's pulpit.

When William H. Vanderbilt died his wealth was inventoried at over $200,000,000, all of which was accumulated within a brief score of years.[61] Even the most determined practitioner of hallowed abstinence could scarcely claim that by hard work, perseverance, frugality and the saving of pennies this fortune was gathered together while others lolled in sloth, or squandered their pittance in smoking five-cent cigars and drinking nickel beer. By his own records which Vanderbilt kept with great care his clear income at the maximum was never above $10,350,000 a year, and that only toward the end of his career. How that fortune was gathered together by wholesale looting and corruption of government agencies is now part of the public record. That the rich should be forgiven these little peccadillos has often been urged by apologists because of their contributions to sweet charity. Vanderbilt was no exception to the generous impulses always associated with possessors of wealth. He actually left $1,000,000 as a conscience salve to the public whom he had defrauded of two hundred times that amount.

THE PUBLIC SUPPLIES A LARGE PORTION OF CAPITAL FOR PRIVATE USES

Railroads are a great public necessity; it is needless to enlarge upon that. For many years their construction was fostered with infinite solicitude by every branch of government. Since American society had not reached the state where public necessities of such a character could be undertaken as a public enterprise, every possible inducement was held out to private railroad promoters. Among them were direct appropriations from the public treasury in the form of loans unsecured, or supported by a second or third mortgage. The national government invariably granted to these railroad corporations immense tracts of the public domain along their right of way. In all, public lands amounting to 242,000 square miles, exceeding the total area of pre-war France or Germany were given away to the transcontinental railroad companies whose lines stretched from the Mississippi to the Pacific.[62]

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[61] History of Great American Fortunes—Myers, p. 346.

Although these grants were made subject to completion of the roads within a specified time, only a minute fraction of one per cent of this acreage ever reverted to the United States despite the shameless violation of their contractual obligations. Writing in 1890, Richard T. Ely said: "You cannot turn in any direction in American politics without discovering the railway power. It is the power behind the throne. It is a correct popular instinct which designates the leading men in the railways, railroad magnates or kings. . . . Its power ramifies in every direction, its roots reaching counting rooms, editorial sanctums, schools and churches which it supports with a part of its revenues, as well as courts and Legislatures." [63]

Conkling, a noted Republican leader, spoke of Depew, another Republican leader and corporation lawyer, as Vanderbilt's go-between man with the New York Legislature of the time, which he held in the hollow of his hand.[64] The authentic record of bribery, thievery, double-dealing and downright gangsterism is now admitted by all contemporary historians, though any of a former generation who dared speak thus of the great railroad fortunes was instantly characterized as an enemy of society who ought to be imprisoned, or at least deported.

METHODS OF ACCUMULATING TYPICAL RAILROAD FORTUNES

Typical of the methods employed by the railroad magnates is the following instance pursued by Vanderbilt. He acquired control of an important Michigan road in 1871 which then had an outstanding capital stock of $62,000,000, more than half of which represented nothing but water. Immediately upon gaining control the issue was increased to $73,000,000, and subsequently to a higher figure.[65]

How can capital be created, as it were, out of hand, simply by printing some embossed paper? The method is an old one. The country was growing, and there were good prospects that the railroad rates could be jogged up to turn in handsome dividends. An increase of gross income amounting to five million dollars could support comfortably a capital bond structure containing a hundred million dollars addition of water.[66] The secret of these railroad and other public utility fortunes lies in the simple fact that they deal with a prime public necessity, and the rates are gauged upon what the traffic will bear.

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[62] Political and Social Growth of the United States—Schlesinger, p. 135.

[63] Quoted by Myers in his History of American Fortunes, p. 346.

[64] Ibid., p. 323.

[65] Ibid., p. 318.

Subsequently, hard times compelled the farmers who depended on those roads for moving crops to protest against this unconscionable exploitation, but the evil had already been done. Vested rights had been established in the properties by various interests, trust funds, charitable institutions, savings banks and others, giving rise to the plaint that any attempt to interfere with railroad income would be a gross injustice to the poor widows and orphans whose savings were now indirectly involved in the enterprise. No doubt a good part of the railroad bonds and gilt-edge stock were held by fiduciary institutions. Yet that could hardly satisfy the farmer who frequently found it necessary to burn his corn for fuel because the railroad rates were more than the price he got from his dealer.

A Congressional investigation showed that the Central Pacific was capitalized at ninety million dollars and could probably have been built for twenty-two million. This same committee estimated that the five transcontinental railroads with six hundred and thirty-four million dollars of prime securities outstanding whose fixed charges and dividend requirements had to be met out of revenues, could be duplicated for two hundred and eighty-six million dollars.

Here was a source of private wealth which defied the fabled conjurers in the nursery tales. Yet every one of those watered bonds and worthless stocks represented wealth as long as their interest and dividend claims were met. No one would encounter the slightest difficulty in selling such a prime security in the Stock Exchange, or obtaining from a bank a substantial part of its market value as a loan in due course of business.

Perhaps some day our historians will delve as deeply into the secret of the laws of capital accumulation as they have latterly done in the methods surrounding the amassment of individual fortunes. They will then appreciate the full significance of the statement that large-scale capital is a social power employed for private benefit.[67] Some writers are willing to subscribe to that proposition as it applies to the great public utilities, while the more enlightened are

[66] United States Since 1865—Hacker and Kendrick, p. 35.

[67] Capital—Marx, Vol. III, pp. 520-1.

ready to extend that to our banking system; but they cavil when it comes to large-scale basic industries like coal, oil, steel and automobiles. However, this point is for later development.

Corruption Characterizes This Period

THE CREDIT MOBILIER

Every historian of the period must consider the Credit Mobilier. In the study of that financial swindle we have a cross section of the politics, the economics and the ideology of the Period of Industrialization. The methods of its promoters were not a whit worse than those pursued by Vanderbilt, Gould, Fisk, Stanford, Huntington and the rest. Only they had the misfortune to be found out at an inopportune moment in the midst of a heated Presidential campaign.

Early in the Lincoln Administration an act was passed chartering the Union Pacific Railroad with an authorized capital of one hundred million dollars. The government granted to the corporation enormous lands along the right of way amounting to twelve million acres together with subsidies for construction varying from sixteen to forty-eight thousand dollars a mile according to the topography of the country. This was to be secured by a second mortgage on the property, most of which was lost in subsequent re-organizations to the holders of prior liens. The government actually gave the road over $27,000,000. A Senate committee discovered that nearly $436,000 was spent in bribing the bill's way through Congress.[68]

To float this gigantic enterpise the self-denying exponents of abstinence behind the Union Pacific could raise only half a million dollars. Heroic measures were necessary, and they were discovered without difficulty. The Credit Mobilier Company was organized in Pennsylvania to undertake the construction of the road, while actual work on the scene was done by sub-contractors. In all, the Credit Mobilier charged the Union Pacific exactly $93,546,287.28.[69] The total actual cost of building the road did not exceed $50,000,000. The backers of the scheme had therefore pocketed a clear profit of around $44,000,000. It was proven that the profits for the insiders were even greater, for they had falsified their accounts to the stockholders.

Even Rhodes admits this double-dealing, though he desires to minimize the fault by the statement that only $23,000,000 of this profit was immediately realized in cash, the balance in securities.[70] Myers gives a more forth-right presentation of the facts. How valuable these securities turned out to be was disclosed by subsequent investigations.

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[68] History of Great American Fortunes—Myers, p. 441.

[69] Senate Report quoted by Myers, p. 443.

At the head of the Credit Mobilier was Oakes Ames, a prominent member of Congress. He began to distribute shares to important Senators and Representatives where, in his own language, "they will do most good to us." [71] Among these recipients were James G. Blaine who narrowly missed reaching the White House, and James A. Garfield who did attain that goal nevertheless.[72] The securities were not even paid for by most of those officials who received them. They were given the privilege of doing so after having realized a profit by their subsequent sale with no investment on their part. The dividends paid on this stock during 1868 alone were:

January 4, 80 per cent in first mortgage bonds of the Union Pacific Railroad Company.

January 4, 100 per cent in Union Pacific Railroad stock.

June 17, 60 per cent cash; 40 per cent in Union Pacific stock.

July 3, 75 per cent first mortgage bonds and 75 per cent in stock of Union Pacific.

September 3, 75 per cent first mortgage bonds and 100 per cent in stock of Union Pacific.

December 19, 200 per cent Union Pacific stock.[73]

The actual cash distributed was $3418.50 for every $1000 put in. This, of course, does not include the value of the securities, which were high in a speculative market.

Many members of Congress resigned or were expelled, as the result of the House investigation. "Ames," said Rhodes in extenuation, "was a product of his time. In business ethics the man who took a bribe was dishonorable, but the man who gave it was not." [74] Fortunately the present age adopts a far higher standard than in this cloistered distinction, more befitting the disputation of a medieval ecclesiastic than of a modern historian.

Another historian of the classical stamp goes even further. Conceding that Ames' actions carried him to the verge of propriety, but not over the precipice, he defends Ames as being, in the last analysis a great public benefactor who pushed through a great national work which has long since repaid the country many times its cost.[75] E. B. Andrews here applies the famous utility theory of value by which Dantes in Dumas' famous story charged the starving Danglars imprisoned in the Roman catacombs until he was prepared to give his millions for a passable dinner.

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[70] History of the United States—Rhodes, Vol. VII, p. 4.

[71] Ibid., Vol. VII, p. 6.

[72] History of American Fortunes—Myers, p. 443; also Rhodes, Vol. VII, p. 16.

[73] From Report of Congressional Committee, quoted by Rhodes, Vol. VII, p. 8.

[74] History of the United States—Rhodes, Vol. VII, p. 11.

ACQUISITIVE NATURE OF THE PROFIT MOTIVE

Money-grubbing in its most vicious anti-social aspects characterized the thirty-five years of our history in the Period of Industrialization which followed the Civil War. So far we have considered this phase in its plain, unvarnished grafting and down-right stock jobbery aspect. Later we will consider the more constructive and socially beneficial character of the industrial development; a result which was quite incidental to money-making at the beginning, but ended in establishing the normal processes of capitalist profit-making the mainspring of constructive individual enterprise.

But it is important from the standpoint of a rational analysis of the social forces involved that the making of profit is the alpha and omega of individual enterprise on a capitalist basis. If this profit can be made during the pursuit of a constructive and pro-social activity, so much the better; we are willing to concede the point without cavil; but in all events the profit motive must be satisfied. It is not a question in the final analysis whether an activity is socially necessary or beneficial; the very statement of this proposition in such a way suggests a wide-eyed innocent abroad. Any industrial activity, no matter how important it may be for the general welfare, will eventually be dropped from the sphere of private enterprise once the all-important private profit is no longer forthcoming; in which event society will have to get along the best way it can without it, or the government will have to take it up as a public service with cost to be met from the general revenues.

LIMITED SOCIAL VISION OF THE PROFIT MOTIVE

Andrews' apologetics for the Credit Mobilier that discounting corruption, the Union Pacific well repaid the country its costs can be used, and was so extensively employed, in the defense of every enterprise no matter how nefarious its methods, simply because the public received a service essential to its well-being. Such was the defense put in for the Standard Oil, the Sugar Trust and later for the great public utilities.

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[75] History of the Last Quarter Century in the United States—E. B. Andrews, Vol. I, p. 106.

From our present standpoint, it is altogether immaterial whether private gouging is an accompanying evil which must be put up with if its benefits are to be enjoyed, or whether the government as society is now constituted ideologically, could render the same services at a comparable price. This very defense is an admission of guilt and plea of justification. All we desire to emphasize now is that no industrial enterprise ever was undertaken under private auspices primarily as a public service, and only incidentally for the making of a profit. It would be belittling the intelligence to stress at length that the reverse is always the case.

The profit motive is inherent in capitalism and cannot be dissociated from it regardless of its social consequences. It will be our purpose to indicate the great social benefits which have followed out of the tremendous energies implicit in the desire for private gain, but at the same time it is indisputable that all these magnificent results of capitalist enterprise are an indirect consequence of its essential motivating element; that, furthermore, when private enterprise was confronted with the choice of public benefit as against consistent private loss, such enterprise automatically ceased; that when private enterprise could gain its objective by a sophistication of goods and adulteration of products it inevitably resorted to such methods if only under the necessity of competition; that where similar private profit could be gained by various restraining practices of monopoly, these methods were employed; that where bribery and corruption was necessary to effect its purpose few hesitated to avail themselves of their opportunities, or even worse, to create them; and finally, where similar profit could be obtained without production, or little production, or anti-social production, those methods were unhesitatingly resorted to.

The whole of this thirty-five year period is interspersed with a continual, if unavailing, resistance on the part of the masses of the people against these illegal practices, despite numerous legislative measures that were devised to mitigate the effects of unbridled industrial capitalism through the restraining influence of the social power.

LOW LEVEL OF CONTEMPORARY POLITICAL MORALITY

Under these circumstances it is not surprising that contemporary political life sunk to the very lowest depths of debauchery. "Through the eight years from 1869 to 1877," wrote Nichols, "there was maintained in the highest office Ulysses S. Grant, who typified his time in reverence for the money-getter. He tolerated gross malfeasance in American officialdom and his credulous blindness made it easier for men like his Secretary of War Belknap, and Vice President Colfax, to mention but two, to line their private pockets through misuse of public office." [76]

Morison and Commager oblige by naming a few others of their type in high authority. Among the merely corrupt they add the names of Secretary of the Interior Delano and Attorney-General Williams. With a fine sense of discrimination they include among those who were both incompetent and corrupt the aforementioned Secretary of War Belknap and the Secretary of the Treasury Boutwell. Among the twenty-five men who at one time or another occupied seats in the official Cabinet of the President, only six of them, these writers aver, were men of integrity, and Grant dismissed five of them.[77]

Historians are placed in the uncomfortable position of classifying the head of the government himself as either an uncomprehending fool or a consummate knave. Rhodes [78] and Adams [79] prefer the first horn of the dilemma. To us it is immaterial which one is selected; what is of paramount importance is that Grant typified the prevalent ideology of the time which allowed nothing, not even respect for the solemn dignity of the chair once occupied by Washington and still green with the memories of the Great Martyr, to dampen the ardor of these money-grubbers who by virtue of their ill-gotten gains became the very pillars of society and the stalwarts of the church.

THE BLACK FRIDAY IN THE GOLD CORNER SCHEME

Black Friday is a memorable day in the annals of the history of that period. On that day came to an end a corner in gold engineered by a relative of Grant and some unprincipled scoundrels, headed properly enough by Gould and Fisk. The President was not hard to convince—writers insist it was because of his mediocre understanding—that the country was suffering from too low a price for gold, and that the country would benefit from an increase in the value of the metal, which would automatically deflate prices, and thus encourage the export of basic agricultural products to Europe.

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[76] Growth of American Democracy—Nichols (1939), pp. 305-6.

[77] Growth of the American Republic—1865–1937—Morison and Commager, p. 59.

[78] History of the United States—Rhodes, Vol. VI, p. 256.

[79] March of Democracy—J. T. Adams, Vol. II, p. 139.

If these stock-gamblers could play hobs with prices of their corporate paper, they saw no reason why the same thing could not be done with the price of a metal which is regulated by economic laws far beyond the category of their simple, but shrewd understanding. But to raise the price of gold on the American market, these tricksters had to prevail upon the President of the United States to order his Secretary of the Treasury, the previously mentioned Boutwell, not to sell any gold in the Government's possession until the price had reached a certain level. This Grant promised to do, and he kept his promise.

Meanwhile the conspirators contrived to get the President away on a vacation, in the hills of Pennsylvania far removed from railroad and telegraph.[80] Gould now began to corner the loose gold lying around in the market. Under the influence of these purchases the price of gold began to rise. Speculators bought for a rise but had no gold to deliver. This inability to meet commitments raised the price even higher, but at last on a fatal Friday, September 24, 1869 the bubble burst. Gould even betrayed his partner in collusion, Fisk, but these two scoundrels understood each other perfectly, and Fisk probably envied his partner the keenness with which he got the jump on him, for they remained the best of business and personal friends afterward.

Meanwhile legitimate business of the country was paralyzed. Many lost their fortunes in the speculation, with resultant bankruptcies and defalcations. Fisk extricated himself from Gould's double-crossing by the simple process of repudiating his contracts to purchase amounting to $70,000,000,[81] for he had taken precaution to secure his wealth from attachment by various legal devices. Other speculators were not so fortunately situated, and they embraced ruin with whatever fortitude their competitive philosophy could muster, or religious precepts could supply in the hour of disaster.

THE CRISIS OF 1873

After a decade of tremendous business prosperity stimulated by the requirements for the prosecution of the war and sustained by the great railroad boom of the time, a great panic ensued in 1873, followed by an industrial depression that hung like a pall over the country for five years after. When we come to the consideration of the panic of 1929 we will go exhaustively into the entire problem of the so-called business cycle.

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[80] History of the United States—Rhodes, Vol. VI, p. 252.

[81] March of Democracy—J. T. Adams, p. 140.

The panic of 1873 is typical of modern capitalism in its industrial stage, and for that reason its general characteristics will merit investigation. Rhodes is far from being a student of political economy, but he was a conscientious investigator and gatherer of the facts, and having no pet theory to advance, his casual statement following a painstaking study merits more attention than the importance he himself ascribed to it. "Commodities," he says, "were plenty and money scarce." [82] In that summary is contained, unknowingly, the key to the entire problem of modern crises.

There are more theories among economists concerning the nature of crises than there ever were about the trinity of the God-head among the best of medieval theologians. Hanley is typical of a group who think they have solved the nature of the business cycle by pointing out that it is cyclical in its nature.[83] "It seems," Hanley writes, "that each cycle logically begins with expansion and ends with correction—though, of course, the historian may start his account at the peak." [84] It is a case of gratuitous advice being worth what it cost. There is no objection in describing a house from roof to cellar—no one yet has succeeded in building one that way. No matter where the historian begins, he must be led inevitably by the logic of events to the consideration of causal factors if he is endowed with the scientific spirit; or content himself with being a mere reporter, if he is not.

The 1873 panic was started on its way by the collapse of the railroad boom. Superficial observers might be led by that fact to endow railroads with the mysterious talisman which regulates the economic weal or woe of the nation. Not a few apologists opposed any effort to curb or regulate the excesses of railroad magnates on the part of the government as an impious interference with the laws of economics, not to speak of the laws of God who in His Wisdom has mysteriously placed them in the hands of recognized rogues and scoundrels.

However, railroads in themselves did not cause the panic, though their financial failure did upset the unstable equilibrium of the economic system of which they were then a principal part. Railroads did not make the industrial revolution, as Bogen avers.[85] The industrial revolution long preceded the invention of the steam railroad, and the latter's operation as an economic enterprise is wholly dependent upon the internal laws of the capitalist economy which brought it forth to meet the needs of an economic system where time is money, and capital tie-up in the phase of circulation must be abbreviated in a competitive system.

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[82] History of the United States—Rhodes, Vol. VII, p. 51.

[83] Economic Foundation of Business—Spahr; Article by Hanley, Vol. II, p. 1.

[84] Ibid., p. 10.

[85] Ibid., Article by Bogen, Vol. II, p. 76.

FACTS OF THE CRISIS AND COURSE OF ITS PROGRESS

Rhodes gives a very clear view of the general situation as it existed in 1873. From 1865 to 1868 the average annual increment of new railroad mileage had been about two thousand miles. But during the next four years twenty-four thousand miles of new lines had been laid. Lippincott states that from 1865 to 1873 upwards of thirty-three thousand miles of track were built, exceeding the total in existence when the Civil War began.[86] Railroad construction on such a vast scale meant a boom for industries which supplied them, such as iron, steel, coal, lumber, locomotive and car construction and the host of others which contribute to the functioning of such a complicated method of transportation.

When these railroads found it difficult to meet their fixed charges, inevitably repercussions were felt in the financial circles most actively identified with that type of securities. Chief among these houses was that of Jay Cooke & Co. It is interesting to note that premonitions of economic disaster were felt in a Vienna panic some four months before it struck the United States. Capital in its liquid and fixed form had become an extensive international commodity whose repercussions on world economy were already sensibly affecting every vital financial nerve center of the world. Our American railroads owed their existence in large measure to English, Dutch, German, Swiss, Belgian and French capital.

Contrary to the theory propounded by writers that railroad expansion was the cause of the financial disaster in September of 1873, the prospects for the economic order never looked brighter than they did in August of that year. "At that time," wrote Rhodes, "it is not surprising that business men and bankers did not foresee what was coming. Prosperity was written all over the face of things. Manufacturers were busy, workmen in demand; streets and shops were crowded, and everywhere new buildings going up. Railroad earnings as compared with 1872 showed a gratifying increase. Prices of commodities were high, demand pretty good; everybody was making money and nobody suspected for a moment that he was living in a fool's paradise." [87]

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[86] Economic History of the United States—Lippincott, p. 621.

Even Rhodes with the advantage of wisdom following the event is not clear in what this fool's paradise consisted. He cannot lay his finger on the fatal flaw which caused the economic structure to collapse. Certainly any observer in August 1873 looking out upon the social order could repeat the words of the Lord on the sixth day of creation.

Spahr calls the crises which have afflicted our social order since the Industrial Revolution of the eighteenth century "a disease of the capitalistic system, but one which the economic doctors hope they will be able to combat successfully and perhaps eliminate in time." [88] Fortunately for his own reputation he does not prescribe nostrums or make any predictions upon whether or not the disease is congenital or acquired, and whether the proposed cure of the economic doctors might well end with disaster to the patient while they are fumbling about with their contradictory treatments.

Rhodes still courageously maintains his text that the prime factor in the crisis was putting into roadbed, rails and equipment a large part of the circulating capital of the country and all the money that could be borrowed abroad.[89] Of course, he had not the slightest knowledge of the technical economic term he employs with such assuredness. A railroad bed is as much fixed capital to its owners as is an ox-cart to its producer. That kind of wagon realizes in its sale the pro rata fixed capital of its value once and for all for its producer through the process of circulation. The railroad bed remains fixed for a period of years and realizes its investment gradually through the sale of the commodity, or service, transportation, with the annual increment deposited in a depreciation fund.

The mystery or evil of capitalism does not consist in its possessing too much fixed capital, but in its inability to metamorphose its particular use value into the generalized exchange value, or money form. Rhodes himself describes farmers who could not sell their crops, merchants who could not move goods from their shelves, professional men who could not get clients or patients, and workmen who, in a fashion, circulated dejectedly through the streets in the elusive search of a job.[90] In fact, we are faced with too little and too much circulation at the same time; without, of course, either of them constituting what is technically termed circulating capital.

There is one thing Rhodes avers which merits serious attention.

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[87] History of the United States—Rhodes, Vol. VII, p. 41.

[88] Economic Foundation of Business—Spahr, Vol. I, p. 487.

[89] History of the United States—Rhodes, Vol. VII, p. 47.

[90] Ibid., Vol. VII, p. 46.

According to the cyclic theory of crises the panic of 1873 came four years sooner than the time set for it by the economic star gazers.

So our mathematical experts in and out of the universities can present upon demand the most elaborate charts upon the course of economic crises beginning with Judas' thirty pieces of silver up to the latest brainstorm of the financial wizards in the technical bureaus of Wall Street sharper sheets.

Commodities were plenty and money was scarce, is a sentence that expresses far more wisdom than Rhodes himself plumbed, for it is the inability of the economic system to effectuate that all-important transformation from the particular commodity equivalent to the general money equivalent which contains the central core of all capitalist industrial crises. Transportation is no more and no less a commodity than the most perishable merchandise carried in a railroad freight. The evil does not lie in too much fixed or too much circulating capital. We reserve to the final part of this work the consideration of the question that crises are inherent in the capitalist system itself.

THE FUMBLING ANALYSIS OF CRISES BY CLASSICAL HISTORIANS

Almost thirty years after Rhodes wrote what James Truslow Adams calls the almost classic description of those five years of misery, the more recent writers must, in the course of their narrative, cover that same phase of our history. Possessing no fundamental background by which to gauge the value of the historical data they are called upon to describe, they fall back upon the easy resort to the personal, and therefore superficial, narration of events.

When it comes to the analysis of human motivations none are more keen than these omnivorous researchers into the minutest crevice of the human heart. It is a far different story when they approach economic happenings which affect the entire country from top to bottom. These are either left severely alone, or some vapid generalizations are expressed in passing while they hurry on to their task, hoping meanwhile that their shortcomings will be overlooked, or perhaps not even noticed.

Pure and simple economic determinism is patently inadequate since the chief villain in the plot, Jay Cooke, went down in the general disaster. So these historians must perforce content themselves with ruminating again into the yellowed sheafs on long-forgotten shelves, and unearth some hitherto undisclosed facts to which they endeavor to attach an importance altogether out of proportion to the labor expended in their discovery. This is what the cultural world is pleased to term original research for which Ph. D.'s are dutifully awarded, together with an academic appointment which sets the exhausted candidate well on the road to intellectual stultification and a comfortable pension at the end of the trail. Fortunately there are an ever increasing list of exceptions to the general rule.

However that may be, the fact still remains that Adams, with the best will in the world, has been unable to shed further light upon the great crisis of 1873. But he hails as an important discovery the fact that warnings of impending disaster were heard as far back as 1872 when four large New York savings banks failed. However, he adds, that did not call a halt to the great economic leaders of the time, men like Cooke, Scott and Vanderbilt "who sailed gaily in the storm with all sails set." [91] It is to be regretted that Adams withholds from an anxious world of economic meteorologists just precisely by what signs and portents those leaders could have discerned the oncoming storm a year before it actually occurred. Like genuine pragmatists who proceed from case to case, they could have known only of the results and not the forces which produced them.

Adams tells us that during the ensuing five years of depression fifty thousand commercial houses failed. Morison and Commager volunteer the explanation that the failure of Jay Cooke & Co. for its time was as spectacular as would be the failure of the House of Morgan to-day, without enlightening us upon why either event should shake the economic system into a deathly fright.[92] Nichols contributes the information with profound mystery and therefore deep learning that pig iron, which they call the world's trade barometer of the time, presumably for no other reason than that others did the same, fell in price from $53.00 a ton to $16.50 per ton.[93]

They did not take the pains to discover, for one, whether that low price was for newly poured ingots or for metal already in the yards. Perhaps that distinction means little to them. Obviously it must have been the metal remaining unsold, for in a strongly competitive market it would have been impossible to produce new metal at a price which on the face could not meet the bare costs of production. As soon as one enters into that field of investigation, all the problems of capitalist economy, which means also all the major problems of modern society, are simultaneously dumped overboard by the historian, where they cannot be avoided.

Unsalable pig iron functions no more and no less in the categories of capitalist economy than unsalable wheat or vegetables or any other commodity. It is just as likely that a spurt of unexpected wheat selling—say due to a famine in Europe—will cause a rise in the pig-iron production barometer, rather than to expect society to wait mechanically for the so-called leader to arouse from the productive torpor and thus activate the rest. But historians, regretfully, are not political economists, though that glaring deficiency does not deter them from passing judgment upon economic matters of the profoundest historical significance.

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[91] March of Democracy—J. T. Adams (1933), Vol. II, pp. 148-9.

[92] Growth of the American Republic—Morison and Commager (1937), p. 75.

[93] Growth of American Democracy—Nichols (1939), p. 197.

AN ECONOMIST DABBLES WITH THE NATURE OF CRISES

Nor, for that matter, are professional economists historians. So far has our beautiful system of intellectual specialization and compartmentization developed that it is considered as unnecessary as it is immaterial for one branch of knowledge to know very much concerning the other. A luscious illustration of this proposition cannot pass unnoticed. In a recent publication Professor Patterson of the Wharton School of Finance and Commerce, world renowned economics division of the University of Pennsylvania, undertakes to analyze the economic problems of modern life. Between the first and second edition of this successful work four years had elapsed. But sandwiched in between those years was the tremendous event of our time, the crisis of 1929. Did Patterson and his associates, all trained experts in their field, learn anything from that climactic event? Like the old Bourbons they learned nothing and forgot nothing. After a few minor changes in their work with reference mainly to re-arrangement of material and its wording rather than its substance, the second edition was duly launched.

In due course Patterson came to the consideration of business cycles. As all the world must know by this time, cycles are cyclical, as this expert reminds us, and we must consequently look for an adequate explanation for their recurrence. So far, it is passable. But beyond that it is rank.

The innermost essence of the scientific spirit is to search for the laws of motion rather than to ruminate without ceasing into the vagaries of the human consciousness. It is not so long ago, as history is reckoned, that the ringing of church-bells and the burning of incense was the resort of the enlightened City of Philadelphia in fighting the ravages of a plague while their unpaved streets reeked with the accumulated filth of years. Now we at least know they would have been better advised to build sewers instead of bonfires. Patterson does not search for the laws of economic motion as they exist in the world of reality but analyzes the ideas that men entertain concerning their own actions in the hope of striking a clue.

From such a point of view, all ideas are equally important and must be given similar weight. Imagine for a moment a modern textbook on epidemics seriously considering the Evil Spirit Theory of disease, except to point out the infinite harm that it had brought upon humanity! But in economics every theory is sound and every opinion is rational.

Patterson undertakes to analyze the Jevons theory of the late nineteenth century on the cause of crises. Jevons blamed it all on the sun-spots which occurred in ten-year cycles and effected agricultural production by limiting the crops. With serious professorial mien the astute economist ventures the objection that "this theory, however, assumes a regularity of recurrent phases of the business cycle which does not exist." [94] He might have added that over-abundance, rather than scarcity of crops, characterized the major American business cycles. But the absurdity of the entire analysis rests in the serious attention paid to a species of economic science which should be dismissed, if it merits attention at all, as the vapid nonsense which all serious students know it to be.

Having finished with Jevons, Patterson takes up with similar seriousness the more recent theory of Moore who proves to his own satisfaction, if to nobody else's, that the rain-fall in the Ohio Valley occurs in eight-year cycles and influences the cycle of industrial activity. The least we can say is that Moore's ideas lack even the semblance of originality, and that both Jevons and Moore belong in some medieval collection of an antiquarian rather than in the serious dissertations of the cognoscenti in the halls of the most high. And after eight more pages of discussion upon the merits of theories of crises, Patterson concludes with the world-shaking observation that business cycles are characterized by alternating periods of prosperity and depression, of which this country has had a large number. Unfortunately society, which is the principal sufferer of these direful recurrent economic visitations, cannot rest the problem with such exemplary professorial equanimity.

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[94] Economic Problems of Modern Life—Patterson (1931), p. 180.

CHAPTER XVI

Problems of Reconstruction

LINCOLN'S FAR-SIGHTED STATESMANSHIP

FROM the beginning of the Civil War Congress was wrestling with the question of reconstructing the Southern state governments following the military debacle of the Confederacy. As early as 1862 Lincoln had taken the initial steps toward their rehabilitation among the commonwealth of States by appointing military governors for Tennessee, North Carolina, Arkansas and Louisiana as the fortunes of war permitted. He rejected the policy of the die-hard Abolitionists and the Radical Republicans who insisted that the South by their act of secession had forfeited their rights as States; that they must henceforth be treated as conquered territory inuring to the possession of the Federal government on the same footing as any recently acquired domains, and that they should be carved into Territories to be admitted into the Union upon the terms of the conqueror and at the discretion of Congress.[1]

With that keen sagacity and profound humaneness which adds to his stature through the passing years, Lincoln rejected the discussion of whether or not a State had been out of the Union as profitless. What was more to the point was to get them back into the Union on equitable and honorable terms. He therefore porposed that as soon as one-tenth of the qualified voters according to the number cast in 1860 shall have taken an oath of allegiance to the Constitution and to faithfully execute the laws of the nation, then such voters will be authorized to erect a State government of their own, recognized and supported as such with the force of the Federal government. Opponents cavilled and barked at his heels at usurping the authority of Congress, and exceeding the constitutional limitations of his office. Lincoln replied simply that while certain things may not be done in peace times, the fact of war endows the Presidency with extraordinary powers in circumstances not conceived of by the framers of the Constitution.[2]

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[1] History of the United States—Rhodes, Vol. IV, pp. 484-7.

In accordance with his program the requisite number of voters in Arkansas and Louisiana organized loyal State governments with constitutions abolishing slavery, and other States, such as Missouri, Kentucky and Tennessee, were on the road to effective re-construction. When subsequent events darkened the outlook for the successful outcome of this program in Louisiana, Lincoln was asked to withdraw official recognition. Lincoln replied: "My promise is out. But as bad promises are better broken than kept, I shall treat that as a bad promise, and break that whenever I shall be convinced that keeping it is adverse to the public interest; but I have not yet been so convinced." [3]

This is a genuine section of the Lincoln statesmanship—resolute, far-sighted, yet observant of the strong current of every-day life, combining humaneness with firmness, compromising in a way which would make defeat more palatable to his opponent and yet render the achievement of his set goal more certain in the end. Under his strong and resilient will reconstruction would have been achieved without the festering wounds of the war being kept open in semi-degeneration for over fifty years, as was the case, with its incalculable loss to the South, and to the great detriment of the rest of the country. For it must be stated with regret that only with the beginning of the first Wilson Administration did the South begin to catch the tempo of the new united nation. Despite the obvious progress of this section the South still remains, in the phrase of the President, F. D. Roosevelt, America's Problem Number One.

THE RADICAL REPUBLICAN POLITICIANS

Upon Lincoln's assassination Congress took the bit between its teeth. Under the indomitable pressure of the Radical Republicans and over President Johnson's veto the ten rebel states were regrouped into five military districts with full civil power to the general in command of each district. Substantially their function was to register all loyal male citizens regardless of color, and by their votes establish a State government with constitutions to be ratified by popular vote and subject to approval by Congress.

Accordingly seven hundred thousand Negro voters and six hundred and twenty thousand white voters were registered,[4] placing the Negroes in a majority despite the fact that they formed only one-third of the population. This was due to the provision excluding from the suffrage all those who had been disfranchised by participation in the rebellion against the United States.[5] The curse of its "peculiar institution" was destined to compel the South to drink the hemlock of defeat to the bitter end.

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[2] History of the United States—Rhodes, Vol. IV, p. 486.

[3] Ibid., Vol. V, p. 135.

Neither the North nor the South was prepared to meet the problems following out of the war's conclusion. Eventually after a dozen years of unparalleled bungling the North by 1877 was heartily tired of the whole mess and threw back the entire Negro problem into the lap of the South. The unreconstructed Southern saboteurs of sanity seized their opportunity to impose virtual peonage, for want of a better term, upon the Negro; but at the same time the South doomed itself to continued moral, political, economic and intellectual impotence from which it is suffering to this day. Later in this discussion a full bill of particulars will be presented to support this indictment. For the present it is only necessary to point out the elements of this problem during the post war period.

It is relatively easy to win a war; it is a far different matter to win the peace. The erstwhile Allies of 1914-18 have well learned that bitter lesson. So did the North after the Civil War without, however, the same disastrous consequences that are now being written into the epilogue to Versailles. By legislative fiat reinforced by constitutional amendment the Negroes were declared to be free, to be citizens, and given the right to vote. But not even the most whole-souled champion of fundamental human equality could contend that the Negro was then prepared for the duties and burdens of citizenship without some measure of guidance from his best friends.

STATUS OF THE NEGRO IN THE NEW SOUTH

It was these sentiments, among others, that led to the organization of the Federal Freedmen's Bureau.[6] In practice, the Bureau became a hot-bed of politics, a haven of grafters, and the instrument of the vilest debauches on the part of the white carpet-baggers from the North and the white scalawags from the South.[7] By various devices, together with their Negro dupes or confederates, they seized upon the governments of various States with appalling consequences.

Writing of the Negroes of that time Morison and Commager state: "They were catapulted into politics without preparation or experience, and this at a time which could have tried the statesmanship of the wisest and most experienced political leaders; they were abandoned by the best men in the South and deceived by the worst; their innocence exposed them to temptation and their ignorance betrayed them into the hands of the astute and mischievous spoilsmen who exploited them for selfish and sordid ends." [8]

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[4] Since the Civil War—Lingly, p. 15.

[5] History of the United States—Rhodes, Vol. VI, p. 23.

[6] Ibid., Vol. V, p. 573.

[7] Ibid., Vol. VI, p. 91.

The condescending Lord Bryce, who cannot help being aristocratically patronizing to the American Commonwealth in its more glorious aspects, gives a picture which is the more appalling because of its studied restraint when describing the saturnalia of corruption which resulted from these Reconstruction State governments. The position of these rulers could be likened, he avers, to that of the English officials in the East Indies in the earlier days of the Company's conquest, save that they had less to fear from subsequent inquiry and prosecution.[9] The noble Lord forgot to mention that the self-correctives of a democracy were in that regard more effective than his Parliamentary censures which resulted only in changing the guard and regularizing the tribute to the English ruling class in the form of legal exactions regularly transmitted to India's oppressors.

CARPET-BAGGERS, SCALAWAGS AND NEGRO POLITICIANS

It is important to note that while suffrage was pressed upon the Negro in the South, where he was least able to advantage his opportunities, it was denied him in the North. In 1865 Connecticut rejected Negro suffrage; in 1867 Ohio, Kansas and Minnesota did likewise. And as though to drive the knife home, New York followed suit the next year.[10] At the same time full Negro suffrage ruled in the military districts of the South.

With little to show for their expenditures these carpet-bag-scalawag legislators with their Negro supporters pillaged what was left of the South's wealth. In South Carolina the State debt was increased in no time from seven to twenty-nine million dollars, while the credit of the State was pledged to railroads and other corporations. In Louisiana one corrupt administration expended over twenty-six million dollars, while in Alabama taxes increased four-fold and in Mississippi fourteen-fold. Two hundred thousand dollars were paid out for furniture for the convenience of hard-working legislators that cost only eighteen thousand, while a restaurant supported from public funds to keep them in good spirits cost one hundred and twenty-five thousand dollars for the session.[11]

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[8] Growth of American Republic—Morison and Commager, p. 46.

[9] The American Commonwealth—Bryce, Vol. II, p. 499 (1911 ed.).

[10] The Last Quarter Century—E. B. Andrews, p. 119.

Indefensible as this situation must appear, the peculations of a Vanderbilt or a Gould were on a larger scale and wrought more havoc to the nation than did this sordid mess growing ever ranker in the South. But there was this very important difference. In the North it was all in the course of business, and in the production of new wealth; in the South, its economy was irretrievably shattered, and the imposition of such heavy taxes meant only a form of legal confiscation of whatever wealth had survived the ravages of war. Selling land for unpaid taxes had its economic limits. Something had to give way in this situation. The North obviously was tiring, if it had not already exhausted its fund of moral fervor which supported it in the successful conclusion of a bitter conflict.

Under these circumstances it was inevitable that political power in the South, with the acquiescence of the North, should gravitate back into the hands of those who had been accustomed to wield it from generations back; that the state should revert to its function as an organ of the white planter's domination; that underneath the freedom of movement theoretically accorded to the Negro there should be forged again the chains of a new economic slavery; and that the South should relapse once more into that lethargy which characterized her social life for three hundred years. The Historical Field Theory by combining all these factors in their inter-connections undertakes to present a comprehensive and rational analysis of the course of events in the South from the end of the Civil War to the present time. Let us consider by what means the hegemony of the planter class was restored.

RESTORATION OF LILY-WHITE SOUTHERN PLANTER'S RULE

With the South's defeat collapsed the entire social structure as created by the slavocracy. The slave plantation system's doom was irrevocable. A new economic system could not be devised out of hand. History does not record a single instance where a new economy has stepped immediately into the breach left by the one that had been abolished and to function successfully, as the Soviet Union demonstrated by its own hard experiences. Legally, the Negroes were free to come and go as they pleased; economically they were still rooted to the soil from which they drew their sustenance. To many of them, freedom was a term without distinct meaning.

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[11] Growth of the American Republic—Morison and Commager, pp. 46-7.

This William Lloyd Garrison discovered to his discomfiture when he made a visit to a Southern camp where the Union troops were providing for some twelve hundred freedmen gathered together from surrounding plantations. Most of them did not comprehend the significance of their new status. All were under the impression that the land of their former masters was to be divided among them.[12]

Woodrow Wilson describes their reaction as follows: "The government would find land for them, would feed them and give them clothes. It would find work for them, but it did not seem to matter whether work was found or not: they would be taken care of. They had the easy faith, the simplicity, the idle hopes, the inexperience of children. Their masterless, homeless freedom made them the more pitiable, the more dependent, because under slavery they had been shielded, the weak and incompetent with the strong and capable; had never learned independence or the rough buffets of freedom." [13]

This quotation emphasizes the almost insuperable difficulties confronting the scientific analysis of historical phenomena. Starting out with an admitted, if unfortunate fact, Wilson advantages the occasion by subtly intervening a number of illegitimate conclusions on economics, history and sociology, none of which could be successfully defend separately, but nevertheless seemed to flow as fluidly out of history as they did from his pen. It is one thing to say that the newly-freed slaves had no conception of freedom in a democracy; it is a far different matter to impugn the native intelligence of a race with a tremendous past behind them, and whose achievements during the past seventy years alone have established the Negro as a most valuable element in American life, possessing with the rest of our population in full measure every essential moral, ethical and spiritual quality necessary for our type of civilization.

WILSON'S ODD MIXTURE OF ANTHROPOLOGY, SOCIOLOGY AND HISTORY

Writers ignorant of sociology imagine that a people who cannot build a battleship or a cathedral out of hand are by that very fact of a lower order of human intelligence. Modern students of the subject are agreed that in essence the entire human race—with insignificant exceptions—are very much on a par in possession of those ingredients which go to make up our civilization; it is all a question of training and opportunity. Consequently Wilson's conclusion that the Negro was lost when left without a master is one of the elements out of which the worst type of apologetics is constructed.

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[12] History of the United States—Rhodes, Vol. V, p. 557.

[13] History of the American People—Wilson, Vol. IX, p. 18.

Naturally those Negroes brought up in the confines that an omnipotent slavocracy had created for them could not be expected to launch forth as professors of history and presidents of universities. But that does not justify the conclusion that slavery, or at best a modified form of slavish subservience, is the only state for which nature and their own capacities fitted them in relation to a so-called superior race.

That Wilson intended to apologize for and to justify the historic mission of the slavocracy is observed in that pharisaical rhetoric of the master "shielding the weak and the incompetent against the strong and capable." The tribal customs of the Negro in darkest Africa would have taught him that mankind solved that problem for its own self-preservation long before the philanthropic slave-holder with his kindly overseer dripping milk and honey went among the slaves on the plantation with the sole object of administering justice and preserving the weak to a ripe old age from his generous purse.

As to independence in a rough and tumble world, the same African jungle would have taught Wilson that only under modern civilization do whole villages and towns starve while commission houses amidst them are bursting with undisposable goods, and that the labor of women and children in factories are permitted for the sole purpose of supporting a class of useless social parasites while their husbands and fathers search fruitlessly for work. Barbarism is a form of social existence not yet clearly understood, and perhaps least by those virtuous cognoscenti who apologize for the unnecessary inequalities and the sheer brutalities of modern civilization.

RHODES' ANTI-NEGRO BIAS

Rhodes doubtless thought himself as good an exponent of sound Americanism as could be found within a radius of thirty miles of any county court-house of the respective united States. Yet throughout his discussion of the Reconstruction period he evidences a distinct anti-Negro bias thinly disguised under the startling doctrine that government belongs to men of intelligence and property; while he leaves no doubt that the possession of property is the conclusive test in qualifying for the possession of the other faculty.

Doubtless his motives were that of patriotically assisting in the appeasement of the South—an ambiguous, generic term which means generally the South of the planter and his slave traditions. We, too, believe in burying the bloody shirt, but the real friends of the South, in our judgment, and the genuine well-wishers for the progress of the United States and future happiness of the American people, are those who seek resolutely for the source of the South's present lassitude, and who indicate a greater concern for its teeming millions in the fields and its factories, rather than in rehabilitating a tinseled grandeur built upon the backs of sweating slaves. Rhodes, however, best typified the prevailing Northern attitude of his time.

Under the guise of government by intelligence and property, they were reconciled to letting the powers of government slip back into the hands of the old-time slaveholders.[14] The methods resorted to for accomplishing that purpose encompassed every form of political trickery and oppression. Among them was the employment of intimidation, terror and violence of the most revolting kind through the medium of secret societies like the Ku Klux Klan.

These methods were simple, and rendered the more effective because they appealed to the more bestial herd instinct which would trample upon the weaker of the pack. So did those gallant champions of all the white man's uncounted virtues meet in the stealth of night, and gathering in force ride off in shroud-like hosts to terrorize people into submission, inflict punishment on the helpless, and often resort to the most cowardly form of mass execution, the public lynching. Those idyllic heroes depicted in movie and story slunk away like the curs they were when the Federal government gave them the choice of facing some Union rifles.[15]

Among the exploits of these daring Klansmen was that wherein they gathered in shrouded groups about the home of a schoolmarm one or two in the morning, and threatened the poor creature with the direst torment of their collective depravity if she would persist in teaching Negro children.[16] Another of their outstanding achievements was to burn, during the dead of night, Negro schoolhouses and Negro churches. A contemporary Southern historian frankly admits that the real purpose of the Klan was to frighten Negroes away from the voting booths and thus to nullify the effect of the various Constitutional amendments intended to establish the political status of the freedman.[17]

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[14] Numerous proofs can be found in Rhodes' writings. Among them are the following in his history; Vol. VI, pp. 37, 83, 290, 311, 320, 323, 410; Vol. VII, pp. 83, 92, 105, 128, 149, 156, 285, 289, 290. Naturally this writer in view of the developing industrial conflict in the North would be anti-labor. See Vol. VIII, pp. 33, 41-4, 276-9, 427.

[15] History of the United States—Rhodes, Vol. VII, pp. 319-20.

[16] Ibid., Vol. VI, p. 93.

In Georgia the legalistic hair-splitting that gave our history those interminable debates on States Rights came to life again in the form of subtle constitutional distinctions concerning the nature of the privileges with which the Negro was now endowed. It was discovered that while the organic law granted suffrage to the Negro, it said nothing about his holding office; and so the white legislators proceeded forthwith to expel all men of color who polluted the pure air reserved for these knights of unparalleled valor.[18]

In one way or another the Southern States succeeded in evading the substance of the Constitution they had sworn to uphold, though making due obeisance to its shadow. By every device and legal loophole that could be discovered or invented the Negro was compelled to relinquish his new-born political power which was the essence of his political freedom. He was made to feel that he was still a pariah in a white man's land.

The Federal Government on its side after twelve years of active military intervention recognized the futility of that policy. With the election of Hayes, the President with the unanimous approval of his cabinet determined to withdraw the last of its troops from the occupation of the South, and with that act was sealed the doom of Negro freedom.[19] He had been a slave; he was now to become a peon. True, he had the abstract right of moving from place to place, but he had not the means for his support, and stringent vagrancy laws were devised to make indiscriminate movement impracticable, if not impossible. The curse of the South's peculiar institution in amended form was now to blanket that section once more in the grip of lethargy and stagnation.

THE SOUTH RECONSTRUCTS A MODIFIED SLAVE ECONOMY

After all no people, no state can exist without an economy. The political organization of the South was already decided in favor of the white man's hegemony, which meant planter-aristocracy control. Obviously, Southern ideology had not undergone any transformation despite the defeat in what it was pleased to term its war of independence. But the slave economy could no longer be reconstituted in its hereditary form. Amanda Johnson writes with simple naivete that the "planters despaired of the pursuit of agriculture with free labor, feeling that slavery was the best system devised for the Negro; and that it would take the wisest statesmen to find a substitute." [20]

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[17] Georgia as a Colony and State—Johnson (1938), p. 531.

[18] Georgia as a Colony and State—Johnson (1938), p. 537.

[19] History of the United States—Rhodes, Vol. VII, pp. 286-7.

They scarcely overtaxed their energy or ingenuity in devising its successor. It is just barely possible that slavery was the best system for the white man's purpose rather than for the Negro's interests. The scientific study of history has demonstrated that there are essentially limited systems of economy devised by man during all the thousands of years of his Civilization, despite all his ingenuity and the vicissitudes of time and circumstance.

Only four general modes of production have been developed—the Asiatic commune, slavery, feudalism and capitalism. Truly Johnson wrote that the wisest statesmen could devise no substitute, but her work does not indicate that she had grasped the reasons for this unaccountable defect in human ingenuity. The truth is that economic law overrides the improvisations of the human intellect, in the same fashion as do the laws of nature which we would dare violate with impunity.

The system of wage labor for the Negro was impractical in the South the slavocracy had created, though it was tried out here and there. In the first place, the planter did not have the capital to advance in wages pending the growth and sale of his crop; in the second place, the degree of intelligent supervision required on that basis was much more than the planter had at his command.[21] In a Northern industrial plant wage-labor, of course, is the common pattern, but it would require an elaborate discussion unsuited to our present objective to show why that pattern could not be transposed to function in the Southern way of life. It is an indisputable fact that it failed wherever it was tried.

RISE OF THE SHARE-CROPPER

Perhaps the most graphic representation of the havoc caused by the war to the South's economy is expressed in the fact that the cotton crop in 1861 totalled four and a half million bales of 500 pounds each, while in 1864 it had fallen to only three hundred thousand bales. Not until 1876 was the pre-war level of production reached.[22] In Georgia one-half of the plantations were offered for sale in 1866.

[20] Georgia as a Colony and State—Johnson, p. 552.

[21] Ibid., p. 553.

[22] Economic History of the United States—Lippincott, pp. 454-5.

Good lands, cleared and well located with customary plantation buildings, were offered at three and five dollars an acre.[23]

Labor was the all-important problem, and no rational labor system could be devised until the control of the state was definitely settled. That was the basis of all the turmoil during the Reconstruction period. Once that was out of the way, the Negro was compelled to recognize that his function in life was to work in the white man's fields.

Nature has its own imperious methods of enforcing her demands. Landowners arranged with the Negroes—who now realized they had to work to eat, but that they had no land to work on—to till their lands on a share basis. The landlord undertook to furnish them with a house, implements and seed, and make advances for their support until the crop was in. Fertilizers where employed were reckoned partly on the cropper's account.

It is apparent that this system laid itself open to obvious abuses. Croppers were grossly over-charged for their supplies and underpaid for their share. Lucky was the cropper who after a hard season's unremitting labor of himself, his wife, his children, and even of the aged grandparents, found himself with fifty dollars to his credit after all deductions.

Under these circumstances the Negro was reduced to a state of economic bondage which made him a slave in fact, though a free man in the eyes of the law. True, he could move on, but wherever he would go, the same conditions would confront him; and it is hard for the average person to tear himself away from his familiar surroundings. "The worst aspect of rural poverty," writes Tugwell and his associates, "is not the suffering it entails at any one moment, but the difficulty of escaping from it, the cumulative character of its misfortunes." [24]

The Southern planters had their own cute little system for dealing with the disaffected. Johnson blandly informs us that in order to control the economic and civil relationship between the whites and the blacks a vagrancy law was passed. By some perversity of fortune, only Negroes were caught in the net. All without visible means of support could be imprisoned for a year or put to work at the discretion of the court.[25]

With Solomonic wisdom the statute provided that upon payment of court costs and the posting of a two hundred dollar bond one could obtain his release. For all practical purposes, the amount

[23] Georgia as a Colony and State—Johnson, p. 552.

[24] American Economic Life—Tugwell, Munro and Stryker (1930), p. 93.

[25] Georgia as a Colony and State—Johnson, p. 562.

might have been two thousand dollars. Of course, the law theoretically applied to all regardless of color, but its equal enforcement was a far different matter. These laws "lent themselves to the establishment of a system of peonage," [26] our more frank Northerners must regretfully concede.

Then began the process of nibbling and cribbling at the Negroes' constitutional privileges. After the downright intimidation of the Ku Klux Klan heroes was unceremoniously suppressed by a little Federal vigor whereby those knights were placed in some jeopardy, more subtle measures were resorted to. Poll taxes were imposed or some other evidence of tax payment required for the privilege of entering the polling place; literary tests were improvised and applied to the Negro that would have puzzled even a professorial apologist; while the voter's right was to be determined by his grandfather's status in the infamous clause of that name. Not possessing the decency or the courage to proclaim what they desired to effect, those atrophied descendants of Madison and Jefferson devised the legalistic dodge by which anyone could vote who had voted before 1867 or who was a son or a grandson of such a voter.

Above all, the white primary system of election was instituted which substantially deprived the Negro of his effective suffrage powers. And so, through one scheme or another, the South of the slavocracy was to experience a recrudescence until the onrushing tempest of twentieth century industrialism was to gather it into its vortex. Emancipation had only changed the form of the Negro's servitude. Except that he could not be sold and transported, he was in substance still enslaved.

FALLACY OF APPEASING THE SOUTHERN ARISTOCRACY

We can all appreciate the high-minded motives of those historians who carefully seek to avoid offending the sensibilities of the South. But they are by the same token violating the fundamental principle of scientific integrity when they allow such considerations to weaken and warp the effect of their honest conclusions. The opponent of the existing racial system in the South need yield to none in his love for country and fidelity to its noblest traditions. The most fervent wish of every American heart is to see the inestimable blessings of liberty, political equality and fullest social justice extended to every human being within every single foot of the soil over which flies the emblem of our freedom.

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[26] Growth of the American Republic—Morison and Commager, p. 17.

In these days of almost universal totalitarianism, unconcealed among the dictatorships, but no less real among many of the so-called democracies, it becomes our duty more than ever before to proclaim the solemn truth that the hardest way of life is the democratic way, but it is also the most noble and the most blessed in the Spinozistic sense. Democracy is not a garment that can be assumed or discarded at will. It is of the spirit, which develops from within a continuous reaction between ideas and the realities of the outer world.

No one, least of all the scientific historian, can ignore the tremendous difficulties created by the race problem in the South. The Negro's bent back has been the foundation of the South's dominant economy; the prevailing ideologies to which his presence gave rise has been the malignant poison which, renewed and transmitted by each generation, has vitiated its institutions and warped its development in the fast-moving tempo of a twentieth century world. We shall have more to say later on about the developing industrial South.

But we desire to point out the utterly pitiful futility of a writer of the calibre of Max Farrand indulging in such ostrich-like tactics as pretending that the evil does not exist simply because one refuses on patriotic grounds to recognize it.

Writing of the time now under discussion, during the 1870's, he speaks rather of the idealized South, Americans everywhere will be happy to recognize as a reality in 1970, or, we fervently hope, sooner. "Through a process of development, economic and industrial," Farrand the historian pretends to see what Farrand the prophet would like to see, "through a social transformation and a changed attitude of mind, the South has grown into its rightful place in the Union. The New South is an integral part of the United States; without it the country could never have achieved its present position, and the South is as proud of it as any other section." [27]

This Aladdin lamp method of writing history may serve its purpose on the hustings, but it certainly is not a representation of the reality in the South to-day. Even worse, it is a perversion of the truth, none the less odious because its motives are praiseworthy.

This raises the age-old problem of whether the truth always pays. In history it always does, except for the historian; at least, not in his life-time. One is not an enemy of the South when he points out the factors which have limited its own development and made it a drag on the progress of the rest of the country.

Only a few pages prior to Farrand's pious exhortation in the pretense of writing history, he himself tells us why all the things he spoke of as facts were only the product of his fancy. Speaking of the "grandfather clause" he writes: "Until very recently the courts, on one pretext or another, avoided rendering a decision in so delicate a matter." [28] What astonishing versatility for an historian! And what a confession!

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[27] Development of the United States—Farrand, pp. 247-8.

Here is the great, the exalted Supreme Court handing out even handed justice to all comers, but peeking out from beneath the folds over its collective eyes, scanning the faces of those who come pleading for the protection of the highest law, and upon observing that of the Negro, scampers under its collective bed, or mutters some legal mumbo-jumbo to exorcise the apparition! In plain words, the Supreme Court was afraid to administer full justice.

On the basis of the same facts, Farrand could see on the iridescent horizon of 1880 a New South, while Morison and Commager could speak of the physical devastation which settled over the South until the social and economic revolution in the form of industrial capitalism appeared there in 1914-18.[29] Both opinions cannot be right. The Historical Field Theory presents us, however, with the methods of scientific analysis which dismisses mere opinion and substitutes in its place definite knowledge based upon social law adequate, both subjectively and objectively, in accordance with the test set by Kant, and tacitly accepted by every scientific thinker since.

DEVASTATING EFFECTS OF TENANT AND SHARE-CROP FARMING

Tenant-farming and share-cropping is by no means confined to the South. At the end of the Period of Industrialization when agriculture itself had succumbed in large measure to the processes of capitalist economy without ceasing to continue at the same time as a mode of life, tenancy was pretty generally spread over the United States except in New England where it had never obtained a firm hold.

But figures and percentages, ratios of growth and plotted curves so beloved of a certain type of pragmatical writers, all provide false or meaningless pictures unless all the essential factors are considered. A certain type of apologist could make out a very strong case to a well-known type of shallow mind by demonstrating that in the fifty years between 1880 and 1930 tenancy increased three hundred and fifty per cent in Minnesota and only fifty per cent in Alabama.[30]

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[28] Development of the United States—Farrand (1918), p. 244.

[29] Growth of the American Republic—1865-1937—Morison and Commager (1937), p. 12.

[30] Chart from Charles O. Paulin reproduced by Morison and Commager, p. 203. of their history.

Percentages give no clue as to the original figures. Furthermore, the original figures give no indication of the social, political and economic background prevalent in the respective states.

The white tenant in the North stands on a far different footing in every way from the Southern Negro tenant. Excluding the border states of Virginia and Kentucky and the fruit-growing State of Florida, where about one-third of the farmers are tenants, all the rest are over fifty per cent tilled by tenants or share-croppers, while in the Cotton Belt the percentage is around seventy. No Northern State reaches as high as fifty.

These figures are meaningless unless they are read in the light of all surrounding circumstances. An indescribable social, economic and political gulf separates the Iowa tenant farmer from the tenant farmer of Mississippi, the two highest tenant States in their respective sections of the Union, though both appear alike in the statistical chart of the mathematically-minded investigator. A few years ago all problems were thought to be readily solved once we had the facts. Indefatigable research—O blessed word!—has since piled up data which put end to end will reach to the moon, while piled on, would overtop Mount Everest exactly seven and a half times. Despite all this labor we seem scarcely the wiser concerning the basic problems which beset or afflict the nation. Unless one understands the difference between Northern and Southern farm tenancy all the statistics, averages and percentages that sweating labor can devise will avail nothing without knowledge of the fundamental laws of social motion which bring these facts into existence.

CHAPTER XVII

Reign of Laissez-Faire

A. Basis of the Industrial System

THE KEY TO INDUSTRIAL CAPITALISM

We will leave now the Southern planter and his political partners who helped him devise the neat scheme of Negro peonage counting the petty proceeds of their enterprise, and return to the North where they have learned instead to amass untold wealth by harnessing nature's resources instead of depending solely upon the puny energy of the human frame.

There private initiative ruled in all its rugged strength where the field was free and the fittest survived, presumably. As it later turned out, some of those survivors succeeded only by special privileges and the use of torch, gun and stiletto, but in the hurly-burly rush for amassing wealth one could not be over-refined in the methods employed. Those who squawked loudest were usually the losers in the battle who in their innermost souls envied others the success which they so ostentatiously denounced, and won by methods they themselves would have employed had the opportunity presented. We will therefore waste little time upon the moral aspect surrounding the vast industrial fortunes which were in the making during the last thirty years of the nineteenth century. Our chief interest lies in the analysis of the process of the capitalist mode of production which has come to dominate society to this day.

Capitalism is identified, among others, by the fact that commodities—in which are included services—are consistently produced for exchange. Such an economy depends upon the effectuation of exchange in order that the process of reproduction might be continued. In the early stages of industrial capitalism the conquest of its methods of production presented the principal problem before the entrepreneur. Later that problem became one of regularizing the processes of circulation. The methods of production have been pretty well perfected by now, while the process of circulation and transformation into the money form still presents the greatest and its most difficult problem.

While the South around 1880 could boast that its cotton crop had at last reached pre-war levels, manufacturing in the North had made astounding progress. The number of plants had almost doubled, the capital employed had almost tripled, while twice as many workers were engaged in industrial pursuits; and all this despite the havoc caused by the crisis of 1873 and the ensuing five years of depression. From 1880 to 1890 the value of domestic manufactures, the capital invested and the number of workers employed almost doubled again.[1]

CAPTAINS OF INDUSTRY AND THEIR SOCIAL BACKGROUND

The question now arises: Whence all this industrial progress? Here our historians with astonishing unanimity fall back upon the fairy tale method of analysis. Clever magicians in the shape of Carnegie, Rockefeller and the like now arose to shower upon the nation the fruits of their genius. They developed methods of organization, perfected processes, spurred on inventions, and while their business ethics might have been questionable, the results on the whole were good. So they were. It would be unhistorical to deprive these great industrial leaders of the place which they rightfully occupy because of the tremendous role that they played in their time.

Yet that role required an adequate social background. Those leaders could not have given full rein to their undoubted genius had they been confined to the stifling, stagnant atmosphere of the South. They had to use the North as the seat of their operations. The Northern social institutions gave fullest freedom to their peculiar capacities. Once more our history demonstrates conclusively that it is not the individual genius who creates progress, but that genius with all its individualistic fanfare is a social rather than a personal quality, without in the least detracting from the achievements of these great men.

If one had to choose between the two, the social field is the more important. Nations have evolved a high degree of industrial organization without the benefit of native Rockefellers and Carnegies, but no Carnegie or Rockefeller has ever developed in a social medium unsuitable for their peculiar abilities. It is the social forces, rather than the individual factor, which are the mainspring of progress. Though effective leadership is essential, its absence is not fatal; while lacking the proper milieu genius must languish and decay, if it is not altogether suppressed.

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[1] Political and Social Growth of the United States—Schlesinger, p. 132. Data on manufactures are stated for the country at large, but were substantially confined to the North and West.

POSITION OF THE INVENTOR

Classical writers make much ado about American inventions as contributing to our industrial leadership. Patent office records are cited to show that from the founding of the Republic up to 1860 less than 36,000 patents had been granted, but that in the forty years following almost 640,000 were issued.[2] This leads Schlesinger to urge that progress in inventions fostered the improvements in the organization of industry.

At first thought it would appear somewhat fatuous to quibble about which came first, the industry which called forth the inventive process, or the invention which was adopted by, or revolutionized an industry, or created a new one. The fair-and-square "democratic" way would appear to be the reasonable attitude that both were essential to each other, and helped to modify, assist, and stimulate each other. It is not therefore for the sake of being obstreperous that we desire to point out that a most fundamental principle is here involved.

Capitalism is not the creator of inventions, but rather is its beneficiary when it suits its economic needs. Capitalism seizes upon the methods of production as a pragmatic fact, and only in its competitive stage does it stimulate invention by the internal requirements of its processes. Industrial capitalism in its early stages was a vital, progressive element in fostering our civilization, while to-day in the fullness of its powers but facing decline it has become an obstacle to further technical, economic and social progress.

The experts of the National Resources Committee in a recent report have stated what all students of political economy have recognized to be fact; namely, that modern capitalism adopts only those processes which are profitable and allows to lie fallow those which are merely socially useful or necessary; and the committee elaborates upon specific inventions which are now known, but are suppressed. or only partially exploited because it is to the best interests of capital as now organized to maintain the status quo.[3] Monopolies, they state, do not adopt inventions as readily as do competitive industries.

The problem of the historian then must be to point out what were the social forces which impelled private industry in its heyday to grasp omnivorously at every improvement as the sure key to greater profits, to re-tool and re-build for the sake of bigger production and better quality at a cheaper price, while to-day stabilization has set in, and that bigger and better is a policy which is adopted only when it pays more, and will be suppressed if it tends to throw out of balance the existing capital structure. In short, monopoly capitalism, the offspring of early competitive industrial capitalism, has now become a hindrance to further social progress.

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[2] New Viewpoints in American History—Schlesinger (1937), p. 256.

[3] Technological Trends and National Policy; Report, June, 1937, pp. 6-7.

Mechanical references to the number of patents granted do not mean much. A patent improving the head of a pin counts for as much in those statistics as one, let us say, that will operate a new type of automobile engine on a fuel which is one-third the price and gives twice the mileage as gasoline. It must be obvious that such a revolutionary improvement would immediately affect enormous mases of capital tied up in existing auto plants and in the oil industry. It can be readily understood that such an invention would encounter tremendous difficulties before it could be placed before the world. More likely, indeed, it would be completely suppressed.

Yet forty years ago, even as recent as twenty years ago, such an invention would have been hailed as among the greatest boons to mankind. To-day industrial and finance capital would exert their united pressure to keep it out as destructive of vested interests; while labor leaders would marshal the protests of millions of workers who in one way or another would be harmfully affected by the resulting technological unemployment upon the basis of the existing mode of production.

None of these factors existed when Carnegie was laying the foundation for what was to become the United States Steel Corporation, or Rockefeller of the Standard Oil Company. It may be objected that we ourselves fall into the classical historian's formulary of using the steel and oil industries for illustrative material. But we emphasize the factor of which classical historians do not take cognizance, that while steel and oil played a decisive role in the industrial phases of capitalism's progress from 1870 up to 1920, that does not apply with equal force to the historical conditions created by the phase of finance capitalism.

There is no inherent vice in using some basic products as indices of the general state of the economy, provided we understand their limitations. In 1933 steel production fell to as low as twelve per cent of capacity. But dark as was that year, it by no means represented the level to which industry had sunk. There is nothing magical about steel or oil that endows them with properties differing from every other commodity. Economically, all commodities are alike the products of the brain and brawn that went into their making and are equated to the same universal measure of value. Materially, they are as different as the uses to which they are put. Historically, these uses are important because they indicate the type of civilization to which a given society has developed.

"The consumption of iron," wrote a great ironmaster of his day, Abram S. Hewitt, "is the social barometer by which to estimate the relative height of civilization among nations."[4] It is astonishing what a tremendous influence that specious aphorism still exercises upon contemporary thought.

It requires little analysis to show that among modern nations those with adequate steel production facilities are in a potentially stronger position than those which lack this all-essential base for the munitions of war. Germany, however, with an insignificant proportion of steel production facilities as compared to that of the United States, but by diverting that to its own special uses seems well capable of enforcing her own particular brand of civilization in a manner that has already made her, temporarily, the master of Continental Europe. Iron and civilization are not exchangeable terms, but are only indicative of a certain stage in a nation's historical evolution in the epoch of Modern Capitalism.

STEEL AS AN INDEX OF AMERICAN PROGRESS

Iron plays so large a role in American development because of our enormous territorial reaches and the abundant supply of the raw materials which go into its production. All conditions conspired to make that industry the leader of large-scale enterprise. First, the expanding railroad requirements offered a steady market for its product. Second, the nature of the industry lent itself to the corporate form of organization. Third, competitive struggles kept out of the field the host of small producers with inadequate resources. Fourth, this very competition induced behind-the-scenes agreements to regulate prices, and the resort to practices which would squeeze out the little fellow. Fifth, this concentration of capital resulted in only a few giants surviving in the industry, and led to various forms of cartel agreements. Sixth, the gigantic corporation to dominate the industry was the inevitable result of this process; but this phase is principally a financial operation, and already brings to the surface the predominating influence of finance capital.

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[4] Quoted by Morison and Commager in Growth of the American Republic, 1865-1937, p. 131.

Naturally these processes are not self-operating. The superficial recorder of events notes the thrilling episodes and ebullient personalities attached to these events. Possessing no understanding of the vital social forces involved, these events are made to appear the peculiar product of great individualities, while the social background functions merely as the drop curtains of the stage upon which these commanding personalities enact their roles. The distinct impression is conveyed that without these great actors the stage could not exist, for there would be no reason for its creation.

It is undeniable that Carnegie and Frick were great industrial leaders. One can readily concede that without them the history of steel in the United States would have been different; but one must hesitate to say in what that difference would consist. The same processes of amalgamation and concentration went on in other countries, such as Germany, France and England. One might conclude that these other countries were similarly fortunate in possessing great leaders at the proper psychological moment. Or one could with greater fidelity to the reality conclude that similarity of social relations created social forces of the same general nature as outlined in the six phases of industrial concentration and centralization characteristic of the steel and all basic industry.

Technology does not develop in a vacuum, but the surest proof that historical forces cannot be created or suppressed at the summons or the command of great personalities is demonstrated by the fact of the universality of these social factors in history. Numerous other industries in the United States have passed through those phases of development without the benefit of outstanding figures like Carnegie and Frick, Rockefeller and Flagler, Gould and Vanderbilt.

RISE OF THE GIGANTIC INDUSTRIAL CORPORATION

America's unbounded resources in men and material—for to our rich natural heritage and prolific population a magnificent stream of adult immigrants whose native lands had borne the expense of rearing them flocked to our shores and filled our farms and factories—made it the fertile field for an industrial civilization whose basis was steel. The world's richest iron ore deposits fringe the shores of Lake Superior from whence derricks literally scoop it up and deposit it in cars for waiting ships.

Everything surrounding steel required immense capital resources beyond the control of any individual or limited partnership. Corporations are simply a form of collective enterprise where each shares in the profits according to his holdings. Evidences of ownership may be readily transferred to others, for a corporation is endowed by law with perpetuity. The United States Steel Corporation is a typical illustration of the origin of those vast capital accumulations which so dazzle the eyes and befuddle the understanding of the classical school of economists and historians.

Accustomed in their own lives to the usual relationship which attaches to a two-thousand-dollar and a five-thousand-dollar position, they carry the same mental processes over in the attempt to unravel the mystery of industrialism and the origin of its great fortunes. By the means of illustration and analogy the man of tremendous income is transformed into a man of tremendous ability, and his capital accumulation is the result of all the Sunday school virtues of frugality, economy, and actual self-denial magnified to the nth degree.

Corporation methods of organization on a wide scale opened up new vistas for financial manipulation. The coining of money and the control of the circulating medium had hitherto been one of the jealously guarded prerogatives of sovereignty; by the process of incorporating and issuing evidences of indebtedness and claims upon future revenues private individuals were now in command of that power, limited only by blue-sky laws and the gullibility of the public. Sometimes when a group was in control of some essential product or service where effective competition was eliminated, prices were scaled to meet the requirements of fixed charges and the necessary dividend payments on watered securities, rather than adjusted to the value of the goods or services exchanged.

Thus the United States Steel Corporation came into existence by the fusion of a number of iron and steel companies. Many of the component plants and properties were run-down and uneconomical for operation, but were accepted in the combine, and later scrapped. The fair replacement value of the plants was around $500,000,000. The Bureau of Corporations estimated that the total tangible property was about $676,000,000 less depreciation. That higher reproduction costs are not to be employed as an excuse for jogging up present values is made clear in a closely reasoned argument by the ablest economic student on the Supreme Court bench, Justice Brandeis, in his dissenting opinion in the O'Fallon rate case.[5]

When the United States Steel Corporation was organized this is what happened: Bonds supported by an underlying mortgage on the properties were issued up to $366,000,000; preferred stock issued, $510,000,000; common stock issued with par value of $100 amounting to $508,000,000; total issue of securities, $1,384,000,000.[6] It is questionable whether a man like Carnegie exercising reasonable business judgment and consulting his own pocket-book would have paid more for the properties than the sum total of the underlying mortgage.

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[5] Social and Economic Views—Brandeis (1930), pp. 154-5.

From an intimate knowledge of New York City's rapid transit properties, with issues totalling over a billion dollars at one time, it is a fair statement to say that the bonds alone, leaving out the preferred and common stock, more than covered the value of the properties. Taking the very conservative estimate of the Bureau of Corporations as regards U. S. Steel, we observe that seven hundred million dollars of corporate evidences of value were created by mere paper emissions all within the due processes of law, and as such were actively traded in on the Stock Exchange.

EMERGENCE OF FINANCE CAPITAL

All this was engineered by the great banking House of Morgan. A new power now made itself manifest in the industrial life of the nation. Governments issue securities whose value is established by the pledge of the nation's earning power. Private individuals had now learned to accomplish similar results by laying an additional charge upon its products over which it exercised monopoly control and to which the public must have access as one of the necessities of existence.

Learned tomes on economic history are made even more incomprehensible by endeavoring to clothe with the occult this mysterious power of the Carnegies, the Morgans, the Garys and the rest who appear to transform into gold everything they touch. In full truth judging by recent evidence in electric power holding companies, the bigger the deal the less brains are required to put it through. The financing of many a corner grocery store often calls forth more ingenuity than that exhibited by these so-called captains of industry and princes of finance. It is so easy to gloss over details in a proposition whose sheer driving power comes from the mass of millions.

What was to make good the mass of over a billion dollars in preferred and common stock of United States Steel, at least three-fourths of which were not so pure nor unadulterated water? It was the assuredness these insiders possessed that upon every ton of steel they could tag on an addition to the price. This increase in revenue was to be so far above a fair economic profit on the actual capital employed in production, that when regularly distributed those securities would command substantial prices based on the usual capitalizing of their return.

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[6] The United States Since 1865—Hacker and Kendrick, (1938), p. 194.

This actually was the result. Seven hundred million dollars of capitalization was water. Morison and Commager concede this, but so awestruck were they by the alchemy of modern financial jugglers that they add in very subdued voices, "but by 1924 the company had earned aggregate net profits of $2,108,848,640 and no one could deny that its sponsors were vindicated in their business acumen."[7] It is word juggling of this character that leaves the scientific student of history dumbfounded, by the sheer intellectual helplessness such a conclusion manifests.

In the first place, there is the grossly misused term "earned" as applied to the United States Steel profits. That the sum mentioned represents net income after all fixed charges is to be gathered by their term net profits. Obviously, then, they made a lot of money. But did they actually earn it according to the rules of the game? In a free and open market they could not possibly have done so. Their competitors would not be burdened by heavy requirements for watered securities, and could easily have undersold them.

To argue that mere size always means economy is to run counter to every experience of capitalist economy; beyond a certain point an organization becomes top-heavy and bureaucratism and red tape destroys the savings in production and the very initiative which was the mainspring of capitalism.[8] It must be plain, therefore, that the selling price of steel products represented more than fair exchange for the consumer's purchasing dollar, and that this excess went into the coffers of the Steel Trust as so much tribute from the public for private benefit.

As for their business acumen being vindicated, it was not the kind of acumen that we generally associate with genuine business keenness based on shrewd observation and the ability to cut unnecessary corners. On the contrary, the type of acumen exercised by the Steel Trust's founders is that of the robber barons of old who straddled across a strategic road and had the power to compel acquiescence to their demands. The practices of modern big business are of the same character, though somewhat more subtle in their methods.

No one really compels you to go into a business requiring iron and steel products. This is a free country and you could just as well go into the ice cream business. (Even there they catch you for cans, machinery, trucks and plant equipment.) But so long as you need steel, you've got to pay their price. That is what their business acumen really amounted to, and the whole history of rigged bidding on steel contracts exposes the true basis of those enormous profits.

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[7] Growth of the American Republic—1865-1937—Morison and Commager, pp. 134-5.

[8] Too Big—Ernst (1940), p. 283.

Hacker and Kendrick are not so naive as their fellow historians, though they are inclined to blame it all on the original sin inherent in the feud between the Pittsburgh and the Chicago group of steel makers, which ended happily for them when they kissed and made up, and passed around the United States Steel melon as tangible evidence of perpetual peace and the pledge of perpetual gouging of the public.

It is true that the Supreme Court decided in 1920 that the United States Steel Corporation was not a monopoly within the meaning of the law, since many giant independents existed outside its corporate structure, and that it controlled directly somewhat less than fifty per cent of the industry.[9] But for years it had been public knowledge that all prices were fixed by agreement among the producers over whom United States Steel exercised an iron hand, both literally and actually, should it come down to a case of cut-throat competition to knock out a weaker rival.

This leads Professor Patterson to conclude in the usual scholarly fashion that many a village grocer in a sparsely-settled community may be a worse monopolizer than the Steel Trust ever was.[10] This forgiving professor neglected to emphasize in this analogy that the corner grocer affected at most the interests of a handful of customers, whereas the steel trust dominated the industrial life of a nation.

THE STANDARD OIL COMPANY TYPICAL OF MONOPOLY CAPITALISM

Standard Oil offers another excellent illustration of the laws inherent in capitalist economy which ultimately stultifies its progressive forces and makes it an obstacle to further social advancement. When Rockefeller entered the oil business it was on the immature level to which small capital resources and speculative enterprise usually condemns a growing industry. Prices of oil varied from fifty-two cents a barrel in 1861 to eight dollars in 1863.[11] One became rich through the discovery of a new well, and at the height of his

[9] U.S. vs. U. S. Steel Corp., 251 U. S. 417, 1920.

[10] Economic Problems of Modern Life—Patterson, p. 380.

[11] Growth of American Democracy—Nichols (1939), p. 371.

prosperity the bottom dropped out of his fortune when the bottom of the well was unexpectedly reached. Speculation, sharp practice and wildly fluctuating prices were characteristic of the industry.

Rockefeller and his associates undertook to control all the branches of the industry from the mining to transportation, refining, shipping, and thus down to the last item of retailing.

Where did their capital come from? Not from the copy-book maxims of penny-pinching economy but from the industry itself, as we shall note. Initially they put one million dollars into the enterprise. But the country was young, its undeveloped resources were enormous, and the Rockefeller group possessed the requisite organizing genius. As to whether or not the oil industry would have reached its present state of perfection without Rockefeller we will leave for the historical metaphysicians to quarrel about. The fact remains that the same and other industries then and since have developed the requisite degree of organizational refinement without the magic blessing of Rockefeller's touch.

It is unnecessary to repeat here the oft-told story of the methods employed by the Standard Oil group to effect their purpose of monopoly control. Murder, arson, bribery, double-dealing and plain downright cheating were all later glossed over by oily apologists along the well-known ritual that the end justifies the means, since the end Rockefeller always had in mind was the welfare and happiness of the American people, as witness his contributions to charity.

Now Rockefeller did not put the oil in the ground. Neither did he create the society which required kerosene for its lamps and later gasoline for its motors. The technology of drilling and pumping and refining were all known before him, and developed by others to their high degree of technical perfection during his own hegemony over the industry. The key to the entire Rockefeller system was the control of the selling price on a product of general and continuous demand.

So far, we will note in the railroad fortunes, the land fortunes, the fortunes in steel and now in oil are the result not of a single man's grasping the bolt from the blue and presenting it to mankind, but of seizing upon the economic processes already known and making the most of the necessities of the public.

There is nothing reprehensible in that; far from it. None will hear us complain that these great captains of industry were not at the same time great public benefactors. But these benefactions were incidental to their main purpose—the amassment of private wealth. When their objectives were in agreement with sound public interest, we will concede that they might have rejoiced over that fact; but the record belies that they wept over-much when the contrary situation presented itself, and if they wept at all, they were crocodile tears.

In the ruthless pursuit of fortune, Rockefeller—for the early history of Standard Oil and its dynamic leader is synonymous—paused at nothing. An official report showed that at one time his group controlled eighty-five per cent of the crude oil, ninety per cent of the refined product,[12] and ninety-five per cent of the shipping facilities.[13]

PRIVATE EXPLOITATION OF PUBLIC WEALTH

In thirty-five years from the small beginning of one million dollars the combined capitalization of the Standard Oil groups had reached the gigantic sum of $2,243,995,000.[14] No one asserts that this capital all came from re-investment of surplus. Even the Standard Oil did not make money that fast, though during the twenty-four years of 1882-1906 it distributed in dividends more than half a billion dollars.[15] A good part of its capital came from the public which bought the various Standard Oil securities.

But that very fact proves that great private fortunes have been built up by utilizing funds entrusted to corporations by the public. These corporations issued securities which supplied them the capital for carrying on their enterprises, and very often these issues, as in the case of United States Steel, represented nothing but capitalized claims on future incomes, while large masses of the capital derived from their sale lined the pockets of the insiders instead of being devoted to their legitimate uses. The fortunes which various individuals derived from a great natural resource as monopolized by the Standard Oil would, in the words of Myers, fill a large volume. "The company was a generator of multi-millionaires," [16] while the manner of their making has been sufficiently exposed by many official inquiries.

No contention is here advanced that all capital accumulations are the result of financial operations of the character described above. But we desire once and for all to settle the problem of the historical origin of many vast capital aggregations. The classical theory of the economists as expressed by Jordan that the new capital of the world is supplied by the savers, by persons, firms and corporations that live within their means,[17] is neither a correct representation of the methods whereby the original hoard was accumulated, nor of its subsequent additions.

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[12] United States Since 1865—Hacker and Kendrick, p. 286.

[13] Growth of the American Republic—Morison and Commager, p. 138.

[14] Ibid., p. 138.

[15] United States Since 1865—Hacker and Kendrick, p. 287.

[16] History of Great American Fortunes—Myers, p. 696.

B. Evolution of Industrial Strife

RISE OF AN AMERICAN INDUSTRIAL WORKING CLASS

As we approach the last two decades of the nineteenth century of our history, a striking historical phenomenon presents itself to the earnest inquirer into the realities: the rise of industrial capitalism as the dominant mode of production, and the division of American society into a class which lives from the usufruct of capital in the form of profit of enterprise, interest and ground rent and of a large wage-working class whose principal, if not exclusive, source of income is derived from the sale of their labor power in factory, field and office.

The problems of labor-capital relations begin to assume an ever-increasing importance in American history. At first this vast transformation in our economy and mode of social existence was obscured by the master-and-servant ideologies carried over from the days of the guilds with their handicrafts and petty manufacture. So deeply ingrained were those modes of thought which were derived from the economic relationships first developed in the towns of the Middle Ages, that for many years organizations of working men banded together for their own protection were considered as illegal combinations in restraint of trade.

Only recently, under the tremendous impact of the social consequences ensuing from the great crisis of 1929 and the long depression following it, has collective bargaining of working people become generally recognized as an essential element of industrial life, though it had long been an actual fact.

The consequences of an economic process that began to make headway soon after the War of 1812, and gained tremendous momentum after the Civil War were finally recognized by American society acting through the Congress and ratified by the Supreme Court when it upheld the constitutional validity of the National Labor Relations Act. This only proves how far the formal ideologies lagged behind the existing economic realities, and even then were recognized only after a determined revolt of the working class—no less a revolt because it manifested itself through the processes of social adjustment left open to them in the manner developed in the theory of the Continuing American Revolution through the popular exercise of the democratic processes inherent in the nature of the American state.

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[17] Economic Foundations of Business—Spahr; Article by Jordan, Vol. I, p. 240.

RELATION BETWEEN ECONOMIC AND POLITICAL HISTORY

No such adaptation of economic thought to economic realities is yet manifest among the leaders of contemporary society as is evidenced in their utterances from the rostrum, on the editorial page and in their more recondite discussions in occasional books.

Recent world events have amply demonstrated their tragic incompetence to cope with the problems of onrushing history which they view in the terms of ancient shibboleths and antiquated formulas. It will be our purpose to indicate precisely how these problems arose and to analyze the social forces which have created them. Few of those now engaged in a frantic effort to preserve existing institutions could give an intelligible account of the evolution of our democracy. Many people suspect that what these new-found enthusiasts for democracy really mean is to preserve their present emoluments as the principal beneficiaries of the existing order of things.

Marshal Petain, Chief of the French State, was compelled to admit this in a public statement issued by his government to explain what impelled his country to capitulate to Hitlerism. The confession is all the more tragic because its tone is restrained with a complete lack of recrimination over France's inability in 1940 to muster the moral stamina which carried them through in the previous struggle. "For our part," said this official statement of the Vichy Government, "mobilization was carried out with a great show of patriotism, but it must be admitted to-day that Frenchmen did not understand as clearly as in 1914 France's war aims." [18]

A tremendous gulf had developed between the economic and the political organization of society on the basis of the existing relations of production. The masses of mankind in our Western civilization are conscious of the incongruity manifested by economic despotism on the one hand, and the trappings of democracy on the other, though as yet they are bewildered concerning its causes, and consequently the measures to be adopted for the solution of its grave problems. The peoples of the totalitarian nations are equally bewildered, though history has impelled them to resort to questionable remedies while casting around for an answer. No amount of pretense or propaganda will prepare a people to lay down their lives for a cause which they do not instinctively associate as part of their very own existence, and for a mode of living without which life itself is not worth while.

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[18] New York Times, June 25, 1940.

Among other things, too many Frenchmen remembered that the Nazism they were asked to fight to the bitter end was in accord with the totalitarian philosophy of large segments of their own upper classes. G. H. Archambault, a noted correspondent of the New York Times, wrote on that very score the opinion of another Frenchman which obviously expressed his own: "I tell you that we followed the wrong road. We were all democratic in spirit but in reality we were too much concerned with self. It was to a great extent the fault of our institutions which tended to breed politicians instead of statesmen and which set party interests before those of the nation." [19]

The defeat of France and its temporary eclipse from the firmament of First Class Powers has affected all of us too deeply to draw from the living anguish of its prostration observations for this inquiry. Fortunately England was given one last desperate second chance, and betimes it organized its resistance, but at the same time it is leaving to an indefinite future the overwhelming necessity of re-organizing from top to bottom its social structure.

Apologetic essays on the nature and origin of capital may serve effectively the immediate objective which is to quiet discontent by clothing with the garment of equity the glaring incongruities of present-day social arrangements. They have succeeded admirably in befuddling the understanding of those who suffer most from its injustices and its inadequacies. They have opposed to Communist and Fascist propaganda their own brand of counter-propaganda; but all that people say about a fact does not alter the nature of that fact. To say that the owners of capital came by their property by abstinence, by depriving themselves of present pleasures for future rewards is to take a subtle advantage of a psychological factor which operates in favor of the beneficiaries of the existing social arrangements, without, however, aiding in the slightest degree toward a rational solution of the admitted evils which flow from the capitalist system.

PROPAGANDA AS A WEAPON OF POLITICAL POWER

Everyone of modest means knows from his own experience how many are the deprivations one must undergo to accumulate a thousand dollars. By various forms of subtle propaganda the masses are made to feel that the owners of great wealth or their ancestors underwent similar self-denial in order to pave the way for their fortunes and thus justify their present rewards. It has already been proved that the greatest of American fortunes have been acquired by laying hands upon the national resources, and by capitalizing the income to be acquired by the future exploitation of the American people.

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[19] New York Times, June 22, 1940.

Against this, the argument is advanced that a present owner of capital can sell his holdings and enjoy spending them, instead of holding on to the principal and living only from its income. If the entire capitalist class were to do that—since that argument justifies the social existence of this class by their present self-denial—they could not get buyers for their property, and they would pretty soon discover that the preponderant mass of capital exists in a form which makes it somewhat indigestible even for the heartiest appetites, such as buildings, machinery, railroads and all the rest.

From an individual capitalist standpoint one cannot have his cake and eat it—one cannot function as a capitalist and spend his principal. By such a transaction, the buyer steps into the shoes of the seller, and as far as society is concerned B and not A is now the beneficial owner of a certain capital. This process goes on continually in the various Stock Exchanges. But the capitalist class as a class could not dispose of its property if ever it should get tired of its self-denial in behalf of an unappreciative society.

Nor could the capitalist class ever go on a general strike and cease operating their capital by virtue of the legal power the owner possesses over his property. Fundamental economic laws whose analysis is beyond the purview of the present discussion render such a procedure impossible. The internal laws of capitalist economy impel it to repeat the cycle of production and reproduction interminably; to pause is in violation of its own inherent nature and the imperious requirements of the economic system where time itself is an element in the realization of the average rate of profit. There are, besides, legal obligations in the form of taxes and fixed charges that recur even if the capital remain fallow, while other capitals are quasi-public in character and must continue in operation regardless of the will of their owners, barring acts of God or other forces beyond human control.

At another place we have disproved the petty shallowness of the contention that all means of production are capital, and that every recipient of a petty income from dividends or from rent is a capitalist. At the same time we have adverted to the evil conscience that lurks behind the argument that every sum of money is capital, and that the only difference between the billionaire and the Bowery bum is one of degree.

Later we will show how the laws of capitalist economy itself compels the members of the capitalist class to re-invest part of their annual revenues in reproduction on an enlarged scale if they would retain their position as capitalists. The laws of competition are still manifest even in modern giant industry, and it is the continual requirement for such contradictory needs as the refinement of the product and the lowering of the price that compels ever larger investments in constant capital and a reduction in the mass of living labor employed.

It is to escape this requirement that capital is urged to form monopolies and to eliminate the processes of competition. The last quarter of the nineteenth century already witnessed giant monopolies arise, due to the wastefulness of competition; later on these monopolies continued in order to overcome the tendency toward a fall in the rate of profit which characterizes the increasing preponderance of constant capital over the variable capital employed.

But at this point of our discussion we must not lose sight of its central theme, which is the basis of modern capitalism itself, and the secret of original capital accumulation. "This primitive accumulation," wrote Marx in his luscious sardonic vein, "plays in political economy about the same part as original sin in theology. Adam bit the apple, and thereupon sin fell on the human race. Its origin is supposed to be explained when it is told as an anecdote of the past. In times long gone by there were two sorts of people; one the diligent, intelligent, and, above all, frugal elite; the other, lazy rascals, spending their substance, and more in riotous living. The legend of theological original sin tells us certainly how man came to be condemned to eat his bread in the sweat of his brow; but the history of economic original sin reveals to us that there are people to whom this is by no means essential. Never mind! Thus it came to pass that the former sort accumulated wealth, and the latter sort had at last nothing to sell except their own skins. And from this original sin dates the poverty of the great majority that, despite all its labor, has up to now nothing to sell but itself, and the wealth of the few increases constantly although they have long ceased to work. Such insipid childishness is every day preached to us in the defense of property." [20]

At the same time, the property painfully accumulated as the modest home of a worker after a lifetime of real struggle and sacrifice, which few of the owners of great fortunes ever experienced, is identified by clever apologists with the property acquired by scheming men from the nation's resources, and from the exploitation of human needs whose satisfaction has been transformed into a private monopoly.

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[20] Capital—Marx, Vol. I, pp. 784-5.

LARGE SCALE PRODUCTION AND MONOPOLY CAPITALISM

Rockefeller's Standard Oil organization was only the forerunner of an irresistible tendency for monopoly on the part of private enterprise. Some industries do not lend themselves readily toward such form of organization. As long as any shoe-maker could set himself up in business with some petty outlay, it would be absurd to think of eliminating competition in that field. Once shoe-making machinery seized upon that industry and the popular prejudice against manufactured shoes was overcome by their lasting qualities compared with the custom-made product, the resultant economy of production methods soon cleared the field of petty competitors. The introduction of such machinery effected revolutionary transformations in American economy. The neighborhood producer disappeared altogether or continued to eke out a vicarious existence in hopeless competition, or as with the cobbler whose skill was reduced to patching the factory product.

Somewhere in the shoe industry a vast industrial establishment has come into existence. Hundreds, perhaps thousands now responded to the call of the factory whistle. Vastly new social problems now came to the fore. Labor is hired and fired. When business is slack, unemployment results. Conditions of labor, the hours of employment, the wages to be paid, all are vital elements in this relationship. Strikes, lockouts and boycotts become fixed terms in the everyday nomenclature. The legislature must intervene out of sheer humanity to prevent the heartless exploitation of the human material, principally at first that of the weakest among them, the children and women who now flocked to the factory gates in increasing numbers.

Theoretically, of course, every shoe worker has the right to go across the street and open up for himself, but even the most academic of capitalist apologists are shamed into dropping that argument from their defenses. The original sin theory of economics is resorted to, but every shoe worker knows that with a life-time of the most industrious labor coupled with the exercise of the most rigid frugality, he still would be unable to open a factory for himself.

The question still remains open as to the origin of the capital which now manifests itself as the shoe-making plant. But look and turn as one will, the factory is made out of brick, and the machinery out of iron and steel all fashioned by human labor, yet nonetheless labor is now stranger to its handiwork unless it be in the capacity as a wage-worker within the plant.

Text-book writers tell us that capital and labor are essential to production; yet of the two, capital itself is the product of labor. Only under certain social relations does capital confront its creator as its master. One thing is certain: Private enterprise planned the building of our shoe factory, and private interest alone will dictate when it is to operate, how long it is to operate, and when it will cease to operate. And there is not one of its shoemakers who can legally say it nay, no matter how industrious he may be, nor how great his necessities.

Other vital factors enter into the calculation of the owners of our hypothetical shoe factory. Their industry has none of the aspects which tend toward a natural or legal monopoly. Any one with the requisite capital can enter the field. The technical requirements of its product does not yet require large masses of capital for economical operation. A ready market exists for its commodity. Labor is mostly unskilled, and can be readily obtained. Hence all the elements of active competition exist, with accent on the cut-throat variety. This is the actual result. Soon, however, a new principle of production is evolved. Machinery takes the place of active labor in the plant. The skill of hand and judgment of brain become now the methodical processes of steam and machinery duly co-ordinated under the general supervision of an attendant. Production is enormously increased. The higher capital costs are thinly distributed over a vast number of individual products.

This new enterprise is able to undersell its competitors, and even pay better wages in the bargain. The most sweated kind of labor is in establishments of a low technical composition of capital. The problem has now been solved of cheaper and better production, and yet the ability to pay wages above the general level, thereby attracting the better kind of labor. The capital enjoying these special advantages in turn is called upon to meet competition. Their inventions are pirated, or perfected. The golden honeymoon of their monopoly of a process is soon over.

POLARIZATION OF CAPITAL AND LABOR

So the process goes on. Larger and ever larger masses of capital are called into play for production on a competitive basis. Where once the field was open to almost every worker who could lay hold of the modest investment required, now it is impossible to begin production without enormous outlays for plant and raw material. Small producers are pushed to the wayside.

Many a gripping story of suffering and stinting could be written about those producers who seek to survive with their petty capital against the overwhelming pressure of large-scale economy production. All producers are held within the grasp of the over-riding law of capitalist competitive economy—bigger and better production at a smaller price per product.

At first the impossible is sought for by the small producer in the more ruthless exploitation of labor, since that is the weakest, and therefore the most pliable element in the economic process. But there is a point beyond which labor can no longer be driven. There are physical limitations to the hours of labor and to the cheapness for which it can be bought. Steam and machinery solve this dual problem for the capital possessing the adequate resources. The small producer is thrust inexorably to the wayside. Capital concentrates in ever larger masses for more economical production. This is one of the most fundamental laws in modern industrial economy, and it profoundly affected the course of American history during the past seventy years.

Lippincott presents some illuminating data on this very point as it affects the agricultural implement industry. In 1860 the number of establishments engaged in that production were 2,116; capital invested $13,866,000; number of wage earners 17,093; value of product $20,831,000. Comparable data for 1890—establishments 910; capital $145,000,000; wage earners 39,000; value of product $81,000,000; for 1920—establishments 521, capital $367,000,000, workers 54,000; value of product $305,000,000.[21]

Morison and Commager point out that in 1880 the number of establishments engaged in the tanning and curing of leather was 5425; in 1900, only 1306 while the value of the product had been multiplied five times.[22]

Illuminating as these statistics are as indicating the concentration of capital in ever larger masses induced by the introduction of machinery, they do not reflect the full significance of this revolution in industry. Merely lumping all establishments into a whole number and then averaging the results only tend to confuse the real picture. More modern statistical methods, like that followed by Berle and Means, will group these establishments in various categories of capital investment, such as those under a hundred thousand dollars, those between five hundred thousand and a million dollars, and so forth.

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[21] Economic Development of the United States—Lippincott, p. 499.

[22] Growth of the American Republic—Morison and Commager (1937), p. 136.

The result of such a procedure will tend to emphasize that not only has their absolute number been radically reduced, but among the survivors the bulk of production is turned out by a small fraction of the industry. From the standpoint of the historian, the tendency of this process and its significance in the social re-arrangements resulting therefrom is of preponderant importance. Once he is convinced that this is no mere passing phenomenon, but dictated by the inherent laws of motion resulting from the internal structure of modern society, then the scientific analysis of these forces will lead to conclusions of the gravest national importance.

If society is reconciled to sacrifice the easy-going methods of petty industry for the economy of large scale production—and no modern nation can survive as an independent sovereignty in capitalist-dominated society unless it adopts large-scale production—then certain consequences must inevitably follow out of these circumstances. Among them are the division of society into one class that owns the means of production, and another that must sell its labor power to the owners of capital. This becomes the most fundamental reality of modern society.

Many attempts have been made to disguise this basic relation of capital and labor. Stocks and bonds have been sold to the workers of a plant in order to feign a community of interest. If a worker's holdings are large enough so that he can live in comfortable style from the income, then obviously he ceases to depend upon wages as the principal source of his earnings. Knowing human nature as we do, very few workers would answer the factory whistle if they were so situated. In the heydey of prosperity during the so-called Mad Twenties only an infinitesimal number of wage-workers owned corporate stock despite all the ballyhooing of professional apologists, and fewer derived from that an infinitesimal percentage of the corporate income.[23]

Corey presents some very illuminating statistics on that score, carefully compiled from a mass of authentic data. He shows that in 1928 out of a total number of 40,000,000 wage workers, clerical workers and small farmers, only 1,600,000 owned corporate securities, and that they received only a little over two per cent of the corporate income distributed that year, while only 380,000 of the upper strata of the capitalist class received over seventy-seven per cent of corporate income.[24]

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[23] March of Democracy—J. T. Adams (1933), Vol. II, p. 377.

[24] The Decline of American Capitalism—Corey (1934), pp. 328-335.

These figures by a little clever manipulation could easily be made to appear the contrary of what is actually the fact. Should one lump together all stockholders and divide the distributed income among them the data given while still mathematically correct would distort the picture beyond meaning, to say the least. Income tax legislation has long ago made use of this lesson by embodying within its provisions a rational classification of incomes in the various brackets and jacking up the rates in the ethereal realms.

IMPORTANCE OF STABILIZED PRODUCTION

Among the conclusions following from the capital-labor division of productive enterprise, there is the necessity of producing for a generalized market. In the old days of small-scale industry, goods were made to a large extent upon order. With the expansion of industry on a machine production basis goods were produced for stock to supply a general demand. Continued refinement of production and transportation methods resulted in the hand-to-mouth policy of production so as to prevent the tie-up of capital in accumulated stock-room supplies awaiting future delivery.

This method presented difficulties of its own. A flood of orders would descend upon a producer due to the seasonal nature of the commodity or the general prosperity of the nation. The producer had to choose between two evils—either to stock up and be able to meet the increased demand, or to enlarge his productive capacity so that he could take advantage of a sudden rush of orders.

Events soon proved that on the whole the latter course was the best. The danger inherent in stocking up lay in the possibility that styles would change, or new improvements would render the accumulated product out of date. No automobile manufacturer would dare stock up cars now for delivery during the next season.

More and more, capitalist economy is geared to the rapidity of turn-over; and of its two phases, modern technology has successfully conquered the problem of the working period during which the commodity is in the process of production. The period of circulation is the most critical one in the metamorphosis of a commodity from its specific utility form to the general money form. It is the failure to effect this necessary transformation that causes payments of bills due to fall behind, notes to be protested, banks to close and factories to shut down, while the pall of depression settles over the land.

C. Political Power of Monopoly Capital

MONOPOLY CAPITAL TENDING TOWARD SOCIAL STAGNATION

This brings us to another conclusion which must be drawn from the production cycle of modern industry—namely, the inability to reproduce this cycle with that smooth-flowing efficiency so necessary to an economy wherein the tie-up of capital is itself a formidable lever for reducing the very rate of profit whose falling tendency capitalism is impelled to circumvent.

What is the all-important reason for the introduction of machinery, the aggregation of capital into large effective units, the intricate refinements of the credit system, the perfection of the means of transportation and communication, than to gain a competitive advantage over a capital not so favorably situated? When Adam Smith thundered against the evils of monopoly, he spoke of the type known to his day, where by special favor or illegal engrossment it was possible for the monopolist to sit back, figuratively, and have the world come to him. In short, the monopolist bestirred himself only to the extent that the marginal return warranted the effort.

This great protagonist of the laissez-faire system knew that monopoly and stagnation were in the long run synonymous. But modern monopolies are created in a field which theoretically is still open to competitors, and they are themselves the product of the sternest competition. Strictly speaking, few of them are actual, natural or legal monopolies, but they are in a position to defy competition except by mastodons of their own size. Standard Oil, General Motors and United States Steel are the recognized giants in their field, but they still face competition of a sort. The whole process and tendency of industrial capitalism is to belie its origin and stifle competition. The goal toward which it is propelled by its inherent laws of motion tend to evade the early laws of its economy.

These fundamental laws are the law of value and the falling tendency of the rate of profit. The selling price of a commodity is regulated in a competitive market by its cost of production plus the average rate of profit. Balancing out minor deviations, those two elements enter into the formation of the price of production.

No enterprise can continue long in operation when the results show a consistent loss, or inability to earn that average rate of profit per aliquot portion of capital. The modern Stock Exchange reflects the operation of these laws of modern economy. When one buys prime shares in standard chemicals, railroads, or utilities, one really expects to obtain only the average return for his investment regardless of the nature of the goods or services produced.

It constitutes Marx's most lasting contribution to scientific thought that over eighty years ago he analyzed these laws of capitalist economy[25] whose inherent correctness subsequent events have so magnificently corroborated. It is unfortunate that the social implications of his theories have tended to becloud the scientific importance of his investigations concerning the inner mechanism of capitalist economy. Professors ignore Marx, while his own supporters are foreign to the esoteric nature of his teachings. Marx's greatest failure was his inability to analyze the nature of the democratic state. To him, the democratic state without distinction was a form of parliamentary imbecility.[26] But that failure does not militate against the soundness of his analysis of the internal processes of capitalist economy.

INEVITABILITY OF IMPERIALISM

Finally, the Period of Industrialization was to witness the United States freeing itself from the status of economic colonialism and reach out to that of an imperial World Power.

Prior to 1900 the world position of the United States was that of an exporter of agricultural products and an importer of capital and manufactured goods. The balance of trade for 1851-1900 showed approximately thirty-two billion dollars of exports as against twenty-eight billion dollars in imports.[27] According to classical economy this ought to be occasion for general rejoicing since it showed a balance of trade in our favor.

Actually this so-called balance means nothing. As we have pointed out before, England has shown a consistent unfavorable balance of trade against her without going into the world's poor house. On the contrary, she has been cashing in on her foreign investments made for over a century, together with the revenues accruing from her export of "good government" to the greatest empire in the world.

With the turn of the century the United States became a self-sufficing country as regards our capital requirements. The World War turned us from a debtor into a creditor nation. We shall consider presently the implications of this changed world relation as it affected our economic and political program on the sphere of world affairs. But now we have to note that industrialism exercised a revolutionizing influence not only in our domestice life, but profoundly affected also our relations with the world at large.

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[25] Capital—Marx, Vol. I, pp. 685-9; Vol. III, pp. 257-60.
[26] Eighteenth Brumaire—Marx, p. 99.
[27] The United States Since 1865—Hacker and Kendrick, p. 216.

Whether for weal or woe, the social forces unloosed by the Civil War found in America a most fruitful soil for the development of industrial capitalism on a magnificent scale. With few exceptions, we had everything requisite for the growth of a great industrial power —the material resources, the human driving power, and the political form of the state apparatus essential for such hot-house growth.

The mechanical Marxist sees in our Republic only the realization of the bourgeois ideal for state dominance. So does Corey characterize the Civil War as the completion of the bourgeois revolution signalizing the conquest of commercial capitalism by industrial capitalism.[28] As a matter of historical record, industrial capitalism was in its infancy prior to the Civil War, and owes its existence to that struggle, rather than having brought it about in the furtherance of its objectives.

New England, up to the Civil War was equally balanced between industrial and commercial capital as evidenced by its divided vote on tariff questions. We have already shown that the immediate economic differences between the North and South played a minor role in hastening on that struggle, and that the ideologies developed by the respective social systems in these sections were the immediate, as well as the long range effective cause of that conflict. The dominant social structures of the basic divisions within the native sections were themselves the result of the interplay of its respective component elements in the state, the economy and the ideological superstructure, which produced the divergent modes of life that made them basically separate nations under the same flag.

CONFLICT BETWEEN LABOR AND CAPITAL

Concomitant with this revolution in industry, the class lines became tightly drawn in the new relations of production which it brought into existence. Many former small producers were now wage-workers in a great establishment working for an impersonal employer. The original tendency was to treat them as so many hands hired in the service of the master. When labor finally became adjusted to its status as a permanent relation between employer and employee, the inevitable struggle between capital and labor soon manifested itself.

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[28] Decline of American Capitalism—Corey, p. 555.

According to easy-going theorists there should have been no occasion for conflict, since the added costs of production due to increases in pay, reduction of hours and betterments in conditions of employments, all can be readily shifted onto the consumer by raising the price.

Actually this cannot be done, because the value of a commodity is determined by the socially necessary labor required to produce it, and the higher the labor costs, everything else being equal, the lower are the profits. This does not mean that high wages are incompatible with high profits; it does mean that for a given time the higher the wages, the lower are the profits, unless other measures, usually technological, are taken to counter-act that. Over a century ago Ricardo demonstrated this important inverse law, that given the value of a commodity the higher the wages, the lower must be the profits.[29] Whether economists agree or not, the historian must record that this is one of the most fundamental factors in labor disputes.

RAILROAD STRIKES OF 1877

Take the case of the great railroad strikes of 1877. These spontaneous outbursts of labor came at the tail end of the depression which set in as the consequence of the panic in 1873. The cause of the strikes was a general reduction of ten per cent in wages.[30]

Simple as this statement of fact is, a smug historian of the type of E. Benjamin Andrews tries to get around it by saying that this reduction affected only a few of the Pennsylvania Railroad employees, implying therefore that the strike was shorn of justification.[31] Rhodes who is far from being sympathetic to labor's cause, states bluntly that the reduction in wages was general, and adds that in fact there were two general reductions, each of ten per cent. The first came into effect in 1873, the second in 1877. Both were acquiesced in by the men, but the Company went a step further and compelled a train crew to operate thirty-six cars where previously the maximum had been eighteen.[32]

Slaner makes an exhaustive analysis of the railroad strikes of that year and proves conclusively from the substantial records that the general wage reduction was resorted to also by the Baltimore and Ohio, the Erie and the New York Central.[33] This simple question of fact has little bearing on the issue except that it illuminates the mental processes of a certain type of historian.

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[29] Political Economy and Taxation—Ricardo, pp. 66-9, Ch. VI.

[30] History of the United States—Rhodes, Vol. VIII, pp. 19, 23.

[31] Last Quarter Century—E. B. Andrews, Vol. I, p. 306.

[32] History of the United States—Rhodes, Vol. VIII, p. 23.

[33] Railroad Strikes of 1877—Slaner in Marxist Quarterly, April–June, 1937, pp. 218-230.

Rhodes states the facts well enough—he is too much the historian to do otherwise—but contends that the strike was led by tramps, criminals and outcasts, and the strikers therefore were lucky to escape with their lives, or at least from the current equivalent of a Hitler concentration camp.[34] Riots, destruction of property, seizure of railroads, the calling out of militia, the firing upon crowds of strikers, all these were new phenomena in American social life.

The country was rapidly coming of age. The halcyon days of the small producer, or going out West to settle on a homestead were approaching their end. All Rhodes' abuse heaped upon the railroad workers does not change the basic fact—regardless of all other wrongs and rights of the matter—that a new class had now become a permanent part of the American scene, the wage-working class whose only commodity was their labor power, which they sought instinctively to sell in the dearest market and under conditions which would not too soon rob them of their vitality.

Let apologists quarrel upon the merits of those strikes, that shook the country toward the realization of the industrial class struggle in all its stark brutality. "In no decade of our history," wrote Davis Rich Dewey of that period, "has there been such wide-spread evidence of discontent. Not only did workmen in the mills, factories and mines, and on the railroads protest against the existing conditions of employment, but there was profound disappointment and unrest on the part of the sections of society which lie between the artisan and the rich." [35]

It is significant that Governors of several States were compelled to appeal to Washington for military assistance in putting down what were termed revolutionary insurrections, and that Federal troops were actually sent into West Virginia, Maryland, Pennsylvania, Illinois, Missouri and Indiana as a consequence.[36]

CLASSICAL HISTORIANS ON THIS CLASS STRUGGLE

Instead of searching deeply into the social factors producing these tremendously important historical events, Rhodes is content to denounce the disaffected elements in American life, and to blame it all on the machinations of scheming foreigners who aimed to stir up

[34] History of the United States—Rhodes, Vol. VIII, p. 33.

[35] National Problems—1885–1897—D. R. Dewey, p. 40.

[36] History of the United States—Rhodes, Vol. VIII, p. 47.

on free American soil the class hatreds which were well enough in Europe, but had no place in our democratic institutions.[37] This is a familiar theme and the predominant note of apologists for the status quo, until the great crisis of 1929 demonstrated beyond cavil that forces inherent within contemporary capitalist society were responsible for the havoc that cataclysm wrought far beyond the power of the most formidable aggregation of foreign revolutionaries to bring forth on this soil. Oberholtzer though writing from the vantage point of more recent historical criticism, still is not ashamed to speak of the idle and vicious elements among the strikers as tools of foreign revolutionary organizations.[38]

We do not point to Rhodes' writings in any invidious spirit. Throughout the discussion of the main period covered by his work from 1850 to 1877 where slavery, the Civil War and its Reconstruction aftermath is the predominant theme, we have time and again acknowledged our indebtedness to Rhodes' painstaking researches and lucid historical presentation of the results. Had he closed his work when that central theme had been exhausted his rank among our great historians would have been firmly secured. But he felt impelled to carry on into a period of our history created by factors far beyond his understanding.

This is not said in disparagement of his scholarship. We desire only to emphasize the limitations of the classical historian's method, and that the same familiar factors and their well-studied ideologies cannot be applied indiscriminately to all phases of our history. That Rhodes himself was conscious of his limitations in view of the new historical developments after 1877 is evidenced by his preface to the sixth volume where he candidly admits that he did not possess the basic knowledge necessary for the proper consideration of the social questions involved.[39] This frank avowal does great honor to his sense of responsibility and his integrity as an historian.

Unfortunately his subsequent studies were unable to free him from the limitations imposed by his narrowed viewpoint. Although the eighth volume was copyrighted in 1919, with internal evidence to show that it was written around 1917-18,[40] his outlook still suffered from the ideologies of a period long since past.

Hence his advocacy of a large standing army to be employed in suppressing strikes which everyone must know are fomented by foreign radicals who play upon the passions of our simple-minded industrious

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[37] Ibid., Vol. VIII, p. 46.

[38] United States Since the Civil War—Oberholtzer (1931), Vol. IV, p. 17.

[39] History of the United States—Rhodes, Vol. VI, p. vi of preface.

[40] Ibid., Vol. VIII, pp. 155, 216, 442.

American worker,[41] and that all disaffected immigrants ought to be sent back forthwith to where they came from.[42] In America every honest worker can still become his own boss by industry and thrift, and there is no room in our free society for those who question the God-ordained harmony of things.[43] Any American who sided with these disturbers of our domestic tranquillity was either a fool or a knave, while Governor Altgeld of Illinois who asked for even-handed justice to all classes of our population was unquestionably a champion of anarchy and civil disorder.[44] With this drivel does Rhodes close an otherwise great work.

In themselves these views as adopted and re-iterated by a leading historian are intrinsically unimportant. They merit attention only because it exposes the inability of classical writers to do else than report events, and that in this they seldom rise above the intellectual level of their own times.

BASIS OF ANTI-FOREIGN SENTIMENT

This shoddy abuse of the foreign-born elements of the American industrial population is an abject surrender to the cheapest vulgarity of the times. No American historian, above all other men, should countenance the denial of hallowed constitutional privileges to all the people who are protected by its ample provisions, immigrants no less than native born.

During the Civil War Lincoln pressed firmly for the encouragement of their influx so essential in meeting the exigencies of the times. "Although this source of national wealth and strength," he said in a message to Congress, "is again flowing with greater freedom than for several years before the insurrection occurred, there is still a great deficiency in every field of industry, especially agriculture, and in our mines, as well of iron and coal as of the precious metals. While the demand for labor is thus increased here, tens of thousands of persons, destitute of remunerative occupation, are thronging our foreign consulates, and offering to emigrate to the United States if essential, but very cheap, assistance can be afforded them. It is easy to see that under the sharp discipline of civil war, the nation is beginning a new life." [45]

Congress responded by enacting legislation which was to increase this steady flow of new human wealth and strength to our shores in the form of countless willing hands and firm hearts ready to leave their native heaths and all so dear to them, and come here in the full flower of their adulthood to hew out a new existence for themselves through productive labor in factory and field.

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[41] History of the United States—Rhodes, Vol. VIII, pp. 49, 277.

[42] Ibid., Vol. VIII, p. 284.

[43] Ibid., Vol. VIII, p. 46.

[44] Ibid., Vol. VIII, p. 426.

[45] Ibid., Vol. IV, p. 420.

No one questions the absolute right of this country to establish whatever immigration policies it sees fit. Our argument is not directed toward showing that the enormous influx of immigration that reached the mark of 790,000 in the single year of 1882 [46] was altogether an unmixed blessing. It does emphasize that the chief accusation directed against it, namely, that with the influx of this foreign element, radical doctrines destructive to our social order were inculcated among our hitherto passive and contented native working class population,[47] is both historically wrong and a perversion of the reality. Besides, it is a vicious libel upon the sturdy character of our native-born workers.

American workers were already seething with protest against the new industrialism a decade before immigrants began to pour in at such an alarming rate. The real reasons for that unrest were left undisclosed or glibly evaded by the apologists of things as they are. A scape-goat was necessary, and the most helpless was the foreigner without political influence and with scarcely any friends outside of the circle of their compatriots. Their mannerisms, their culture, their absurd accent when using our native tongue, all rendered to make them the butt of ridicule and the helpless victims of political assault.

The history of American radicalism from the revolutionary days through Jeffersonianism, the Jackson era, the innumerable idealistic religious and ethical cults during the first half of the nineteenth century, and the Greenback and Populist movements during the second half, all should be convincing proof, to minds yet susceptible to conviction, that American radicalism is as native to our soil as is the Declaration of Independence.

SPREAD OF INDUSTRIAL UNREST

It must have been patent to any earnest inquirer who scratches beneath the surface of things that industrial unrest is inherent in the very nature of industrial capitalism; that under given conditions, any increase in costs of production due to higher wages, lower hours or better conditions of employment must result in a reduction of the increment going toward profit of enterprise, interest and ground rent. Since the latter two elements are generally fixed by long term factors beyond the producer's control, the immediate result is a reduction in profit of enterprise.

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[46] Immigration Crossroads—Panunzio (1927), p. 43.

[47] United States Since 1865—Hacker and Kendrick, p. 141.

Amateur economists may perceive a flaw in this argument. They may point to enterprises that pay the highest wages, where the hours of labor are shorter than the average and the factories are models of cleanliness and which still make higher than average profits. It is amazing how these epigoni are able in a few moments' consideration to offer easy answers to problems that have engaged the thought of our profoundest thinkers over the years.

The answer to the conundrum posited lies in the surrounding factors of that particular enterprise which places it temporarily beyond the reach of competition. But even for that enterprise an increase in the labor costs due to higher wages, must, everything else being equal, result in a decrease of profit. This is indeed the iron law of capitalist economy, otherwise capital would not resist so strenuously any individual rise in the costs of production which do not result in a pro rata increase in the value of a commodity and therefore in the price of production.

Were this a text on political economy we could readily establish the most convincing scientific proofs for this apodictic assertion. But the limitations of historical discussion, even of a period in our history when capitalism was flowering in the full bloom of its progressive phase, confine us to the incontrovertible facts of history and their direct causes. These prove that capitalist producers try with every resource at their command, including economic pressure, political compulsion, and the subtle influence of all the organs that enter into the formation of our ideologies, to resist higher actual wages, reduction of hours and betterment of conditions of employment because of their reduction of the share distributed to the capitalist class, everything else remaining the same.

This is the real and irrefragable basis of the industrial class struggle. The foreigners did not invent it; they did not transplant it here. It came with the inevitable separation of the masses of workers from ownership of their means of production, and the transformation of their living labor power when sold and consumed in the productive process into the capital of another class whose sole interest is to receive the average rate of profit by virtue of that ownership.

Therefore when the cry of radicalism was raised against the immigrant workers, most of whom did not know the meaning of the term, that was merely the clever dodge of our native exploiters and their hired spokesmen to withdraw attention from the real issues between capital and labor. The pity of the matter is that it was precisely in those industries employing foreign born labor that the conditions of employment were most wretched, the standards of living lowest, and the outlook for the present generation darkest.

It is sheer hypocrisy to contend, as does D. R. Dewey, that the popular revulsion to immigrants was due to their low standards of living in the unspeakable slums of the cities, and their equally dismal quarters around the factories situated inland.[48] The effect is confused for the cause. At the very time when Dewey wrote those lines, millions of poor whites in the mountain regions of the lower Alleghenies were eking out a miserably hopeless existence in circumstances even more vile, without that fact arousing any similar revulsion in the tender sensibilities of the literati.[49] Nor need we advert to the millions of Negroes who then lived in a state of virtual peonage, in the South, and in the main still do to this very day.

Far from being the object of censure, the foreign element among our population, insofar as they did struggle to better their conditions, and by their infectious example stirred on the native workers to organized resistance against exploitation, have been among the most progressive and stimulating forces in our history.

CLOSING THE DOORS TO IMMIGRATION

Eventually bars to immigration were erected. The Asylum tradition was compelled to yield after a stubborn resistance, and only then after thirty years of persistent pressure. Henry Cabot Lodge pointed to our slums,[50] but he averted his gaze from the stagnant areas of the poor white section of the South and from his own industrial New England.

President Wilson held out firmly for the old tradition in his veto message,[51] but finally in 1921 and 1924 the door was closed except for a tiny aperture through which was admitted a small trickle of selected immigrants so classified as to keep out certain "undesirables" from Southeastern Europe, in accordance with a quota arrangement based upon the respective national immigrant strains in the population as established by the 1890 census.[52]

This was subsequently changed in 1929 when the number of immigrants permitted annually was reduced to a flat 150,000 with a quota arrangement partial to newcomers from Great Britain and Ireland.[53] As a matter of fact only a small fraction of those permitted to enter availed themselves of that privilege, while during the crisis years emigration actually exceeded immigration.

Thus closed another phase of our history, but there is no end to the argument subtly advanced that all our social and political ills are the result of knavish foreign propaganda. If our industrial system groans and gives out at the seams underneath the pressure imposed upon it, the foreign element among our population must be prepared to shoulder the major blame for its glaring inadequacies. It is an ancient formula in American political life, and reached potent proportions a hundred years ago when Native Americanism and the Know Nothing Party waxed exceedingly great in the land because of that very issue.

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[48] National Problems—1885–1897—D. R. Dewey, p. 15.

[49] American Commonwealth—Bryce, Vol. II, p. 509.

[50] Immigration Crossroads—Panunzio, p. 48.

[51] Ibid., p. 68.

[52] Ibid., p. 147.

[53] United States Since 1865—Hacker and Kendrick, pp. 666-7.

CHAPTER XVIII

Popular Revolt Against Monopoly Capitalism

CRISIS IN AGRICULTURE

Agriculture is traditionally associated with stability and conservatism. Among the peoples of the world, those most resistant to change from the ways of their forefathers are those who live nearest to the soil. Radicalism, according to the apologists, is a foreign virus surreptitiously inoculated into the body politic that otherwise would be immune to social disturbances.

The history of American agriculture belies this comforting assertion. The seed of early radicalism grew most luxuriantly among our western farmer pioneers. It is they who were the bulwark of Jefferson's strength. It is they who in co-operation with labor in the Middle States sealed the victory for Jacksonian democracy. And it is they who gave most loyally and unstintingly at the call of Father Abraham during the soul-stirring trials of the civil conflict.

While hereditary agriculture is slow to change, agriculture in a capitalist economy cannot long remain unaffected by the revolutionizing influences in industry. Morison and Commager state that "it is a curious and suggestive fact that the application of machinery to agriculture lagged fully a century behind the application of machinery to industry."[1]

The explanation of this curious fact goes to the very essence of capitalist economy. So long as agriculture is a mode of life, where the husbandman and his family were a self-sufficient economic and social unit raising what they ate, weaving what they wore, hitching their horse to the simple plow, finding their amusement or relaxation at home or among neighbors similarly situated as himself, the stream of life could pass him by without heed to the intricate ways of city folk who might for aught he cared be from another planet.

But contacts with other forms of existence were more common for American farmers than any other outside of England. He came to the farm; he was not raised on it unless he lived in the stagnant agricultural areas of the New England States. He saw more of life and required many things from the village store. In order to pay for it he had to raise a cash crop.

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[1] Growth of the American Republic—Morison and Commager (1937), p. 191.

In that simple sentence is the key to the entire process of American agricultural economy as it developed in our great Mid-West. The more things he bought, the more was he tied down to the requirements of a commodity market. Fundamental among the laws of commodity production is that the labor expended in production must not be above the average for a given grade of land similarly situated.

Problems of economic rent based on differences in fertility, or the amount of capital invested in the form of fertilizer, grading, clearing and draining cannot here be discussed. We do know that two farmers similarly situated as to all essential points cannot compete in a market where one required an hour to prepare the ground and sow one bushel of wheat, while the other by using modern machinery could accomplish the very same operation in two minutes. This is exactly the case as vouched for by Morison and Commager.[2]

After making all allowances for wear and tear of machinery the farmer employing modern mechanical methods possesses a decisive advantage in a competitive market. Did he not obtain that by the employment of machinery, obviously he would not introduce it. It is for this reason that farmers who must rely on a cash crop not only for incidentals, but actually for everything that they wear and use, and often for what they eat, are compelled to resort to modern methods of production. This process when expressed statistically is proven by the fact that where in 1860 the value of farm implements was insignificant, by 1890 it had increased to $500,000,000 for the whole country, and in 1920 it had reached to the amazing sum of $3,594,000,000.[3]

PRODUCTION FOR A CASH CROP

What is the historical meaning of this mechanization process in agriculture? Morison and Commager conclude that the farmer has become an industrial worker as much bound up to the complex industrial and fiscal system of the country as if he had a boss over him.[4] This is merely a rhetorical gesture that cannot take the place of a scientific historical analysis.

There is no analogy between the industrial worker and the independent farmer. The one is separated from ownership of the means of production he employs, while legal title to the land and equipment generally vests in the farmer, regardless of the debt with which his property in general may be encumbered. The huge combine now propelled by gasoline tractors where previously twenty or thirty horses were used does not change the nature of the farmer's status; before, so much capital was tied up in horses, now so much more is tied up in a machine. In either case, the means of propulsion represent an investment of capital. The farmer is still an independent producer, the master of the capital he employes.

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[2] Growth of the American Republic—Morison and Commager, p. 193; also data in Technological Trends by National Resources Committee (1937), p. 101.

[3] Growth of American Republic—Morison and Commager, p. 193.

[4] Ibid., p. 194.

His problems in part evolve from the nature of the obligations arising from his ownership of productive capital. In the first place, that capital must be obtained for cash now, or at a later date, or in installments. Even if he engages in some sort of barter deal, this only disguises the true nature of the transaction. If he contracts to turn over one thousand bushels of wheat at a dollar a bushel in payment for a thousand dollar machine, the selling price on both sides of the equation must approximate the current market values if neither is to get stuck; otherwise the transaction leaves the sphere of ordinary business enterprise and becomes a speculation. The farmer, therefore, is now controlled in his ordinary dealings by the relations of the general market to his agricultural products.

To the extent that his requirements for cash to meet his current obligations increase, to that extent does his fate and fortune react to the shifting world conditions of an essentially variable market. Unlike the industrial producer, the farmer cannot regulate his production in full view of current or prospective market conditions. He cannot shut down when the market is glutted, nor speed up when demand outstrips the supply.

Experience has taught the farmer that, all other factors being equal, wind and weather will determine for a specific season how large the yield will be per acre, or if there will be a crop at all worth garnering. This basic uncertainty due to factors essentially beyond his control do not exist in manufacture. We leave out of consideration methods of scientific agriculture, artificial soil treatment or natural fertilization by crop rotation, pest control, irrigation and reclamation. Sun, rain and wind are still elements which present-day agriculture has not circumvented, though experience has shown over the years what the average yield will be.

THE FARMER'S GROWING DEBT AND OCCASIONAL RADICALISM

But while the immediate yield is uncertain, and the prices unstable, the financial commitments of the farmer are fixed in the main. Taxes, interest and mortgage requirements must be met. More and more the modern farmer is dependent upon a cash crop. Production for exchange brings him within the orbit of economic and social forces beyond his control, and often beyond his understanding. A bumper crop is just as likely to bring him ruin as fortune. Should crop failure ensue in other major sources of world supply, his bumper yield will pull him out of debt, fences and barns will be re-built, and his wife will be sporting silk fineries; while contrary conditions will scarcely realize for him the costs of production on his abundant harvest. So for opposite reasons a small crop in times of general scarcity might more than make up for the deficiency because of the high prices received, while a large crop will ruin him.

That this is no overstatement of the problem is observed by the actual fluctuations in the price that the farmer received for his wheat; for example, $1.45 a bushel in 1866, only 76 cents in 1869, 69 cents in 1889, and 49 cents in 1894. For double the wheat crop in 1889, the farmer got no more than he did in 1867.[5]

This explains the anomaly of the farmer's increasing acreage under cultivation as the prices decline over a period. At fifty cents a bushel of wheat, the farmer must, generally speaking, bring to market twice as much wheat to meet obligations incurred at one dollar a bushel. Of course, there are practical obstacles that defeat such a solution. Acreage cannot be indefinitely extended, nor can the market absorb twice the supply. The result is that a painful rearrangement of the farmer's internal economy must be undertaken wherein are sacrificed first the so-called luxuries, then the unessentials, and very last the payments on necessary equipment.

At that point the farmer is ready to revolt. So long as by the exercise of rigid self-denial he can make ends meet, his individualistic mode of life will conform to every conceivable adjustment. But once his land, which means his very existence is threatened, the farmer suddenly becomes the most pro-social of gregarious beings. There is scarcely a political theory to which he will not give fervent support, or a nostrum he will not passionately embrace as the self-sufficient cure-all of the country's ills, and incidentally his own.

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[5] Growth of American Republic—Morison and Commager, p. 203.

But underneath is the basic conservatism that makes him cling to his farm. It is not that he is attached to a particular soil or scene. Few Mid-West farmers can count beyond the second generation of tillers. Between 1862 and 1889 a migratory movement unequaled in our history took place when a million farms were carved out and settled upon in hitherto vacant land.[6]

The soil is his mode of earning a living. No farmer-labor movement will ever make headway in this country unless the city-dwellers can devise a program which will appeal to the deeply-ingrained property-owning instincts of the American farmer. Collective agriculture may or may not be suitable to the predominant peasant instincts of the Soviet Union agriculturist. The American farmer cannot be thought of in terms of the Slavic peasant. While settled on the soil, the American farmer still is not part of it. It is a bare eighty years since serfdom was formally abolished in Russia. The American farmer was never transferred with the title to the land on which he lived. His forebears only yesterday reclaimed it from the wilderness.

Farming in America has only recently become a business, thoroughly amenable to the laws of capitalist economy, without ever having ceased to be a way of life. Our social planners and revolutionary theorists had better take notice of that fact. The dissatisfied farmer and the dissatisfied industrial worker may speak a similar political language but yet with radically dissimilar implications.

FARMER'S RESENTMENT AGAINST MONOPOLISTS

Mid-West farmers first vented their resentment against railroads that charged exorbitant rates to carry their produce to market, and then overcharged them on the freight charges for merchandise delivered from the cities. Irritating as these abuses were, they did not go to the real crux of the problem of modern economy, which lies in the production of commodities for exchange and the necessity of transforming the particular commodity equivalent for the universal measure of value, which is money.

When the price of his staple fell fifty per cent as it did in 1870, while the prices of goods he bought went up due to the lower purchasing value of the dollar, and taxes continued sky-rocketing to pay for local improvements, the farmer knew the depression was on three years before the industrial centers began to feel its effects. Meanwhile his debts had been incurred during the piping times of prosperity. As payments fell due he sought frantically to save himself from foreclosure. He could borrow only at usurious rates ranging from 15% to 28%.[7]

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[6] Growth of American Democracy—Nichols (1939), p. 390.

Farmers' co-operatives had made extensive progress under the influence of the widespread Grange movement which at one time numbered 30,000 local societies with at least one and a half million members.[8] But the co-operative movement suffered from one serious defect which it has been unable to overcome on the basis of the dominant capitalist mode of production. It represents the farmer as a purchaser, when the whole crux of capitalist economy lies in effecting the sale of his commodities upon an advantageous basis.

No one encounters much difficulty in spending his money; the real problem lies in the getting. Co-operatives may and do effect savings on purchases, but they cannot function in a similar way toward effecting the sale of the farmer's product without the whole scheme of the private ownership and management of agriculture being destroyed, and with that the basis of present-day agriculture, which is one of the props of the existing order of society.

That is why, as we shall see, all the New Deal agricultural schemes have failed, such as the various McNary and Haugen schemes during the lush days of the Coolidge Administrations, and as they were carried over into that of the incomparable engineer-architect of universal and perpetual prosperity, the Hoover Administration.

SHORTCOMINGS OF THE CO-OPERATIVE MOVEMENT

The whole history of agricultural producer's co-operatives in the United States is one of unrelieved failure insofar as the general market is concerned,[9] though marketing co-operatives in some highly specialized field, as fruit growing, have achieved some measure of success.[10]

At their best, marketing co-operatives succeed in eliminating or minimizing certain abuses of middlemen, but in the end they only stand in the place of the intermediary whom they displace. Co-operatives of producers cannot escape the iron law of capitalist economy which makes imperative the transformation of the particular commodity with its price of production attached, into the general golden equivalent form. The economical metamorphosis of commodities requires the intervention of merchant capital, and it is altogether a matter of detail whether that capital be supplied by independent entrepreneurs or is put up by the producer as a separate division of his enterprise. The Standard Oil selling agency is simply a division of the Standard Oil as the refiner and transporter. This same principle holds for agricultural marketing.

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[7] Growth of American Democracy—Nichols, pp. 346, 354.

[8] Ibid., p. 351.

[9] American Economic Life—Tugwell, Munro and Stryker, pp. 661-2.

[10] Economics—Curtis, p. 449.

Since a farmer cannot very well fold up with the relative ease of any other commercial enterprise that finds itself unable to meet its obligations, but must carry on as far as possible in his accustomed mode of life, he and other farmers similarly situated cast about for means of alleviating his distress. We recall the various stay laws so frequently resorted to in former depressions, while cheap money always exercised its subtle fascination for the debtor class. Our Western farmers who find themselves chronically in debt have always been prolific in producing crops of inflationary ideas.

Those devout hypocrites who pretend horror at the financial immorality of so large a portion of our population would do well to look to their own defenses before they attack those of the most exploited and the hardest working elements in our country.

There is not a farmer in the nation who would not willingly agree to pay measure for measure in terms of his staple for the debt he incurs upon the same basis as at the time when the obligation was incurred. No farmer would object to turning over a thousand bushels of wheat currently priced at a dollar a bushel when he purchased a thousand dollar tractor. But no tractor manufacturing company would dare enter into such an agreement in view of world market conditions. They too, must meet their obligations in cash, and must exact payment for their product in cash.

THE STAPLE FARMER AND THE WORLD MARKET

In the final analysis it is the farmer-debtor who is left holding the bag. And this bag is a very capacious one. In 1880 26% of staple cultivators were renters on the land they worked; in 1900 renters tilled 35% of the farms; [11] by 1930 tenant farms had reached the ominous figure of 42%.[12] Mortgage indebtedness on the nation's farms grew from $343,000,000 in 1880 to $586,000,000 in 1890.[13] By 1910 that figure had risen to $3,500,000,000, while in 1930 the total mortgage obligations outstanding against the nation's farms and their equipment had reached the gigantic sum of $9,500,000,000.[14] All the requirements of these vast sums regarding interest, sinking funds, reductions of principal, its liquidation or refinancing, had to be met out of the sale of cash crops at current world prices.

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[11] Growth of American Democracy—Nichols, p. 394.

[12] Growth of the American Republic—Morison and Commager, p. 204.

[13] Growth of the United States—1852–1933—Schlesinger, p. 258.

Morison and Commager state the farmer's problems succinctly: "Put in its simplest terms, this was the problem of rising costs and falling prices." [15] But they are not so fortunate in suggesting remedies for the evil. They assert that the farmer should combine voluntarily for limitation of production, or lacking that, to invite government intervention to limit crops by compensation to farmers and the establishment of a tariff, as in industry, to protect the artificially increased prices on domestic agricultural products from foreign competition by putting up a tariff wall. Limitation on acreage or ploughing under, besides being socially wasteful, falls short of actual accomplishment of the desired aims, which are to limit production and raise the prices of articles protected by a tariff wall.

In the first place, there is the undoubted fact that the yield per acre is dependent not only upon the seeding, but by the intensity of cultivation due to increased use of fertilizer and greater care in operation. This cannot be prevented without an impossible burden of supervision. The results often showed a larger crop despite taking land out of production or ploughing under. In view of these circumstances, the tariff wall can overtop those of Jericho without affecting the competitive price in the domestic market.

We dismiss as irrelevant to the issue Morison and Commager's peculiar notion that high tariffs must result in high domestic prices of commodities, whether industrial or agricultural. As to their first proposal that farmers agree voluntarily to limit production, this suggestion can only follow from a complete misapprehension as to the nature of the laws of private capitalist economy. That remedy is even more impossible of application than those of the Agricultural Adjustment Act.[16] We refer to this at present only to emphasize that the agricultural problems of the present day reach far back to the times of its development along capitalist lines during the last third of the nineteenth century. The reasons for the failure of all crop limitations programs will be discussed fully in the last part of this work.

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[14] Growth of the American Republic—Morison and Commager, p. 204.

[15] Ibid., p. 201.

[16] Ibid., p. 567.

INFLATIONARY MOVEMENTS AMONG THE FARMERS

Since the farmer's problem as it immediately affects him is a plenitude of products but a paucity of cash, and since the barter system may work out well on the professorial charts but seldom in real life, his most pressing need is to have in his possession an adequate supply of means of payment.

All credit and intermediate banking schemes fall down before the ultimate test of effecting the final transition from the commodity form to the money form. What is more desirable than legal tender bills with which to effect payment? With plenty of money in his pocket to settle his bills, the farmer's headaches end as by enchantment. The evils of the country, obviously must be due to the lack of sufficient quantities of the circulating medium. More money is needed to move goods—that's the solution. For the goods are here, mountains of them. Only the money to effect their circulation is wanting.

This reasoning is as specious as it is superficial. Not a generation has lived since the Civil War without that issue being raised in one form or another and, as we shall see during our discussion of the crisis of 1929, by the most respectable of authorities. If the government could have issued greenbacks during the troublous times of the insurrection, why should it not do so now, pay off the over two billion dollars of interest-bearing public debt by the issuance of paper money, and so by increasing its volume, bring back prosperity to the land? This was the basis of the famous "Ohio Idea" advanced by a current politician masquerading as a statesman of those times.[17]

Inflation had no meaning for these Western economists to whom a printed dollar bill was as good as the real thing itself—at least it circulated as such to all intents and purposes. Therefore it was proposed to issue at the outset $400,000,000 and then to wait and see what would happen.

A Congress deeply sensitive to the coming election in 1874 passed such a measure. But this was promptly vetoed by Grant who was equally sensitive to the wishes of the money crowd in New York City, for whose good opinion he entertained a wholesome, almost a fearsome, respect.[18] The Congress chosen that year reflected the current unrest induced by the industrial depression and agricultural stagnation. This so encouraged the Greenbackers that a political party to advance that cause was organized, and in the 1880 election it

[17] History of the United States—Rhodes, Vol. VI, pp. 161-2.

[18] Growth of American Democracy—Nichols, p. 357.

polled over 300,000 votes, chiefly among the debt-ridden farmers.[19]

By that time the industrial cycle had taken an upward turn. The farmers' debts were liquidated either by composition or eviction, and the elements of a new industrial cycle were in the prosperous phase of their unfoldment. The cry of despair emanating from the farms was drowned out with the taunt of ineptitude or improvidence in a world where everybody was busily engaged in making money, or hoping to make it, which is the next best social sedative.

Oberholtzer writing about these times in 1931, having before him the mass of inflationary doctrines proceeding out of the current crisis advanced by wild-eyed statesmen, hare-brained theoreticians, hard-boiled Wall Street men and eager soldier bonus advocates, still found it in his heart to write bitter words of reproach against the "ignorant parts of the electorate," the farmers and workers, who sought to pay their debts and elevate their social position by tinkering with the nation's sacred money system.[20] We are once more reminded of Gladstone's remark that not even love has made greater fools of men than the discussion of currency problems. Because everybody yearns for it, handles it, and it is pleasant to the touch, what is more natural than to desire more of it?

CURRENCY PROBLEMS DOMINATE THE POLITICAL SCENE

During the last twenty-five years of the nineteenth century two powerful currents struggled for mastery on the American scene; the first was money making; the second was to escape from the consequences of money making. Since both stemmed from the same source, it is not surprising that both elements of the population reacting to those motives found their political haven in the bosom of the Republican Party during periods of prosperity.

The South was still immersed in the disastrous consequences of the Civil War, and in nine of these States the unreconstructed rebels had become the central core of the minority Democratic Party.[21] A strong farmer movement was in evidence in the South, but it generally wound up by installing itself as the Democratic Party of the State wherever it succeeded in achieving political supremacy. Such was the fate of the farmers' Southern Alliance.[22] The embattled portion of the Mid-West farmers assumed that status of an opposition party only in the form of an independent movement; Civil War hang-overs were still too powerful to permit affiliation with any wing of the Democratic Party.

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[19] United States Since 1865—Hacker and Kendrick, p. 298.

[20] United States Since the Civil War—Oberholtzer (1931), Vol. IV, pp. 37-8.

[21] Rise of American Civilization—Beard, Vol. II, p. 301.

[22] United States Since 1865—Hacker and Kendrick, p. 302.

The accumulated mass of agricultural discontent was finally crystallized in the organization of the Populist Party. Its program emphasized the idea uppermost in the minds of the people whom they represented—easy money, and plenty of it.

By this they did not mean printing press trash, the only kind of easy money economic ignoramuses can think of. Here was a group representing about the hardest-working, the most important and least remunerated portion of our population. Furthermore, unlike the city worker, the farmer had no guarantee that he would be paid for his labor after it was done; or what amounts to the same thing, be able to sell his crop at a favorable price.

The American grain grower as an exporter was held in the grip of international forces beyond both his understanding and control. Railroads over-charged him, grain elevators mulcted him, while he paid dearly for monopolistic products in a highly protected domestic market.[23] He was willing to give a valid bushel for a valid dollar, and the whole difficulty seemed to be that not enough money was in circulation to keep goods moving from producer to consumer. He knew of the plight in the cities where periodically men tramped the streets in the vain search for work, and hungered together with their loved ones because goods could not move from the shelves or, in his case, from the granaries. Besides, he had to pay dearly for what he needed. The whole economy seemed askew—starvation amidst plenty, and limiting production by periodic closing of factories in order to keep up the price of goods he so sorely needed.

Besides, as a taxpayer he was keenly aware of the rising class of official pauperism which had to be supported from the public funds. The care of the indigent was rapidly becoming a big industry in its own right, as could be witnessed by the ubiquitous spread of legal charity organizations,[24] prospering in the midst of a raw country with fabulous natural resources and possessed of an industrious and enterprising population with highly developed acquisitive instincts. The bread line was soon to be followed by the soup kitchen; not to feed the "sturdy beggars" of Shakespeare's times, but the unfortunate victims of an economic system that periodically broke down despite the abundance of all the factors essential to the creation of wealth—a rich soil, masses of productive capital and a virile, intelligent working class and farmer population.

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[23] Growth of American Democracy—Nichols, pp. 395-399.

[24] Public Welfare Administration—Breckenridge (1938), p. 251.

POPULIST AND BRYAN MOVEMENTS

Consequently the Peoples Party declaration of principles went beyond the insistence upon the farmers' particular problems and the panaceas advanced for their solution. They demanded a graduated income tax, a safe banking system, the government ownership of railroads, telegraph and public utility systems, and a government whose powers would be restored to popular control through the initiative and referendum and other reforms. With instinctive fellow-feeling for the industrial workers they looked favorably upon the eight-hour day, though at first restricted to government employees, and declared against the use of the armed forces of the nation on the side of the employers in labor disputes.[25]

Upon such a platform, the Populists polled over a million votes in the Presidential election of 1892. With the enthusiasm generally following a movement on the upswing this strength increased over forty per cent in the Congressional elections of 1894,[26] and politicians, industrial leaders and financiers became painfully aware that they were dealing with the tremendous upsurge of a mass spirit. It was true that this strength was almost wholly confined to the Mid-West. Every effort had now to be made to prevent a possible victory in 1896.

Labor was quite restive and still suffering from the crisis which had set in during 1893. In the larger cities of the North the local organizations of the Democratic Party had developed considerable strength affirmatively by espousing a more liberal point of view, and negatively as the party of opposition to the ruling plutocracy.

Our constitutional form of political organization as based upon the federation of States makes the state the basis of party organization. The national party as such is really non-existent, but is actually a voluntary co-operation of kindred state units whose cohesion is in direct ratio to the prospects of federal patronage following as the logical consequence of party success. This explains the apparent anomaly of graft-ridden organizations like Tammany Hall and the reactionary bourbons of the Solid South uniting behind the progressive policies enunciated in the New Freedom of Wilson, and the New Deal of F. D. Roosevelt.

Both farmers of the West and South and capitalist interests of the North and East girded for the historic battle of ballots in 1896 which was to determine the political course of the nation for the next generation. The Republicans were the outspoken champions of industrial capitalism. Their defeat would have meant, at least temporarily, the turning back of the economic course upon which the country was set since the suppression of the rebellion, and the transformation of the nation into a middle class democracy of small farmers and small business men. That a modern people can not only survive but prosper half agricultural and half industrial is evidenced by the classic example of France, if one is willing to discount such a thing as the present military debacle, which is one of its inevitable consequences in a modern industrial civilization where factories, too, go to war.

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[25] United States Since 1865—Hacker and Kendrick, pp. 305-7.

[26] Growth of American Democracy—Nichols, p. 411.

ELECTION OF 1896 A TURNING POINT

It is futile to speculate upon the consequences that might have followed Bryan's victory at that time, with every reasonable prospect of continued success for the political philosophy of the groups he represented for several campaigns to come. In full truth, 1896 was a turning point in our history as pregnant with meaning to our future as any other critical period that our country has faced. What actually occurred then was a fusion between the growing Populist Party and the Democratic Party when both united upon Bryan as their candidate.

Nichols regrets that the broad objectives of social justice which characterized the Populist movement were lost sight of in the hysteria that attached to the sixteen to one silver issue.[27] It is doubtful whether so much enthusiasm on either side could have been stirred by platitudinous political reforms.

Cheap money and plenty of it went to the core of the dominant social system, and both farmers and industrialists sensed the significance of that predominating issue without the benefit of more detailed knowledge on abstruse points in economic philosophy. As to whether or not the printing presses would have been set going full blast is really a minor issue. For there is not wanting powerful evidence that the responsibility of authority puts caution into the acts of even the most wild-eyed radical.

That election was the last decisive stand of the middle class against the industrial capitalist class. "In the closing days of the campaign," wrote Hacker and Kendrick, "the word was broadcast that Bryan's election would bring swift disaster. Farmers were informed that mortgages would not be renewed, workingmen were told that factory gates would be shut down in the event of Bryan's election; business men, in placing orders for goods, made acceptance contingent upon a McKinley victory." [28] A leading Wall Street paper of that time, the New York Evening Post, characterized the contest as one between the great civilizing forces of the Republic and the barbarism of the South coupled with the recklessness of the West.[29]

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[27] Growth of American Democracy—Nichols, p. 412.

Cheap money was merely the rallying cry for proponent or antagonist, while the real struggle was for the class control of state power. The Republican victory meant much more than the election of McKinley, who at best was a second-rate statesman; it was much more than a tribute to his manager, Mark Hanna, who was a first-rate politician. It marked the conclusive and irrevocable consolidation of the power of the industrial capitalist class, and the final suppression of whatever possibility there still remained for the establishment of a petty bourgeois democratic society based upon the agricultural West and allied with the progressive labor elements of the East.

The results manifested themselves in the rapid disintegration of the Populist movement; in the evaporation of the cheap money issue; in the fastening of Republican rule upon the nation during the Period of Industrialization, mitigated only by the mild progressivism of Wilson, who came into power because of a split in the Republican ranks. The Western farmers, in fact, returned in droves to the G.O.P., where they remained until the shattering blasts of the 1929 crisis were to reverberate with inevitable political repercussions in 1932.

From McKinley's victory until Hoover's frantic assurances that prosperity was just around the corner, industrial capitalism had fullest control of the powers of state. Economically its power was supreme. Agriculture had long receded from its ascendant stage and was now reconciled to the role of submissive captive behind the juggernaut of the economic apparatus set in motion by the laws of industrial capitalist production. The farmers' prosperity was now made to appear to be dependent upon the prosperity of Wall Street, and by dint of reiteration they began to believe it.

Ideologically the country was never more smug and contented than during that long rule of the Republican Party. The great captains of industry and princes of finance bore upon their ample shoulders the well-being of the entire country, and anyone who questioned the validity of the existing arrangements was a self-confessed enemy of society and the political order which it created for the greater happiness of mankind.

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[28] United States Since 1865—Hacker and Kendrick, pp. 317-18.

[29] Growth of the United States—Schlesinger, p. 271.

POSITIVE ACHIEVEMENTS OF THE AGRARIAN MOVEMENT

Although it might appear that the agrarian movement of the last quarter of the nineteenth century was barren of achievement when it went down to final defeat in the first Bryan campaign, yet it was as a result of its pressure that there was put upon the statute books a piece of legislation embodying a principle of most significant importance to the future of the country. That was the establishment of the Interstate Commerce Commission.

It is astonishing how few of our formal historians recognize the tremendous importance of this act. Among our modern writers Nichols [30] and Hacker [31] stand out in appreciating fully the effects produced by that legislation upon the future course of government. To Oberholtzer that was merely a piece of necessary federal regulation over questionable practices indulged in by railroads that had long been denounced by upright members of the business fraternity,[32] while to Beard the immediate effects were limited to creating a regulatory body whose powers were soon emasculated by adverse decisions of the Supreme Court, and what was left was rendered innocuous by the schemes for evasion invented by legal brains in the pay of the railroads.[33]

That is a typical short-term point of view of a piece of legislation from whose basic principle stems every policy by Congress to regulate interstate commerce by government interference with private enterprise. The immediate results were shorn of their importance by the various tricks of the legal and judicial fraternity, but its long-time influence upon the course of American life cannot be exaggerated.

For the first time there was put into effect the long-forgotten principle that private enterprise affected with a public interest brings the owner of that property in quasi-contractual relationship with the community at large, and therefore places that enterprise within the legitimate domain of governmental regulatory powers in behalf of the public welfare.[34]

PRINCIPLE OF GOVERNMENT REGULATION

Charles C. Marshall, a brilliant constitutional lawyer of the time, proves by a wealth of illustrative material that the early common law of England closely defined the duties of innkeepers, the location of manufactories, the regulation of public markets including the prices to be charged, the amount of land which should surround each cottage, the wages to be paid to workmen, and regulations of similar social importance.[35] This leads Boudin to denounce the so-called "progressive" publicists when they tamely surrendered, because of their ignorance of history, to the proponents of laissez-faire who insisted that the English common law rejected government control over private enterprises in which the public has, or asserts, an interest.[36]

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[30] Growth of American Democracy—Nichols, pp. 356, 449.

[31] United States since 1865—Hacker and Kendrick, p. 263.

[32] United States Since the Civil War—Oberholtzer, Vol. IV, pp. 394-5.

[33] Rise of American Civilization—Beard, Vol. II, p. 329.

[34] Government by Judiciary—Boudin, Vol. II, p. 409.

It so happened that the gross abuses indulged in by the railroads cried aloud to high heaven for their suppression. Finally, the Supreme Court was compelled to assert the Federal paramountcy in the premises against regulation of interstate commerce by radical farmer-controlled Legislatures in Western States. Out of sheer jealousy for the prestige of the Federal power, if nothing else, the learned Court hearkened to the traditions of the common law and applied the Constitution accordingly. Thus by indirection an ancient public policy was resuscitated and refurbished for modern usages.

We do not stress overly that dread contention of a precedent. The astute lawyers on the Supreme Court have never been lacking in the requisite mental agility for discovering differences and inventing distinctions where the principle relied upon can be made to apply. But here a vital social power was once more re-vitalized from the desuetude into which it had been allowed to fall since the Middle Ages, due to changing social conditions.

This re-affirmation of social control over private enterprise went counter to all the immutable principles of rugged individualism. If evils there were, self-regulation was the only proper remedy according to the laissez-faire philosophy, while the interposition of governmental authority in one case would be the entering wedge for a multitude of other regulations imposed upon private enterprise under cloak of conserving the public interest. But after waiting in vain for twenty years and more for the railroad magnates to set their house in order, the Interstate Commerce Commission was finally created in 1887 under the commerce clause of the constitutional powers conferred upon Congress.

GROWING INFLUENCE OF PRO-SOCIALITY

Fear expressed by the supporters of the status quo concerning the dangers inherent in the Munn v. Illinois doctrine of public regulation of private enterprise were soon found to be thoroughly warranted by further developments.

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[35] Quoted by Boudin in his work, Vol. II, p. 401.

[36] Government by Judiciary—Boudin, Vol. II, p. 447.

The particular matter involved in that leading case was an act of the Illinois Legislature to regulate the maximum rates charged by grain elevators, which it declared by statute to be a private enterprise dedicated to a public use under the meaning of the ancient common law.[37] The Supreme Court upheld the principle but denied jurisdiction in the premises to the State. Under cover of that theory, legislation was declared constitutional which set up safeguards for the health of workers, child labor was restricted, and minimum wage laws were upheld. More recently the principles of collective bargaining were recognized by law, and safeguards validated which were intended to protect workers against company spies and company unions for the purpose of defeating the just aims of workers to bargain most advantageously for the terms under which they sold their labor power.

At the same time, the police power of the States was given ample dimensions when employed to protect women and children in industry, or to limit the labor of men in bakeries, for example, and to set up necessary regulations concerning fire hazards, sanitary facilities, roominess of factories, and a multitude of other regulations from which industry was considered immune under the laissez-faire school of economic theory.

These long-forgotten common law principles were now being brought into play hundreds of years after they had fallen into general disuse or discredit due to changing social conditions in order to effect a vital pro-social purpose to counteract abuses developed by the capitalist mode of production. This hiding behind the state's police power, and the purely legal invention of private property dedicated to a public use were merely convenient stratagems by which to extricate society from the dilemmas which now confronted it.

Justice Holmes scorned the subterfuge. "When legislatures are held to be authorized to do anything considerably affecting public welfare," he wrote, "it is covered by apologetic phrases like police power, or the statement that the business concerned has been dedicated to a public use. . . . But police power often is used in a wide sense to cover and, as I said, to apologize for the general power of the legislature to make a part of the community uncomfortable by a change. I do not believe in such apologies. I think the proper course is to recognize that a state legislature can do whatever it sees fit to do unless it is restrained by some express prohibition in the Constitution of the United States or of the state, and that courts should be careful not to extend such prohibitions beyond their obvious meaning by reading into their conceptions of public policy that the particular court may happen to entertain." [38] He therefore dismissed the legal fiction created to justify the doing of an agreeable thing in a disagreeable situation.

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[37] Supreme Court and the National Will—Alfange, pp. 93-4.

IMPENDING CHANGES IN THE SOCIAL STRUCTURE

Unfortunately for Holmes' enlightened views on history, legislators are proverbially the most empirical of history makers. They meet the problems as they arise with whatever improvisations are considered necessary in the light of surrounding circumstances. That is why revolutions sometimes punctuate the otherwise drab record of history. Legislators represent the dominant social forces of their time, while the state apparatus itself is the product of compromise and adjustment necessary for bodies operating in a closed circuit. Sometimes a vent must be made by unusual methods. In the main, however, adjustments in a democracy are effected, depending upon the balance of social forces within the society of the time.

But law makers do not over-reach their historical limitations; that is the function of revolutionaries, and revolutions have always been strictly forbidden by existing regimes—monarchical or republican, democratic or totalitarian. Yet within the sphere of the state apparatus as it exists in the United States a tremendous latitude is created for the maneuvering of the component social elements.

The social forces unloosed by the American Revolution have not yet gathered their full strength. As to whether or not the basic problems of contemporary life can be met and solved by the unfolding of the democratic processes as envisaged by the Theory of the Continuing American Revolution depends wholly upon the will and intelligence of the people in the exercise of their undoubted powers. These powers are themselves extremely flexible, and so far have been extended in every crisis adequate to meet the requirements of the times. There exists no overpowering impediment to their future extension except the intelligence of the people themselves and their effective mobilization to translate their preponderant will into appropriate deeds.

The supremacy of the people acting through the state is the great contribution of the eighteenth century American and French Revolutions to the struggle of mankind in its painfully slow progress from being the mere instruments of history to becoming its master. "Extreme jealousy of all corporations and combinations within the State was one of the most marked characteristics of the French Revolution," [39] wrote Lecky. The equalitarian doctrines of the Mountain and Marat upon whom Carlyle poured the red-hot coals of his wrath in the end wins from that brilliant, if unstable, word juggler the encomium that it fought for Liberty and Equality not wisely but too well.[40] The spirit of these Eighteenth Century revolutions still lives on in the traditions and in the actual political philosophy of the now dominant masses in the Republic of the United States of America.

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[38] Quoted by Boudin in his work, Vol. II, pp. 505-6.

That the expansion of the authority and functions of the state in the field of private enterprise is an accompaniment of modern democracy is admitted by Lecky; an admission all the more painful for him because it goes counter to the laissez-faire doctrines upon which he had been nurtured, and whose propagation was so dear to his soul.[41] But he is compelled to confess that integrity in the management of great companies and corporations is not a characteristic of the Anglo-Saxon race on either side of the Atlantic, with conditions somewhat worse in America; and he points to the deliberate dishonesty as well as unscrupulous gambling which formed the basis of so many great American fortunes, and the monopolies and trusts by which they continued to be nurtured.[42] And therefore, Lecky concludes from his analogy of private corporations and public enterprise through government, there is sealed the inevitable doom of all organized social effort in industry.

Justice Brandeis, who is not burdened by the philosophical individualism of this English writer, nevertheless arrives at the same conclusion concerning the necessity of government intervention in a democracy to counteract the recognized abuses of private exploitation within the body politic.

It may appear to the empiricist as a matter of no importance by what theoretical approach such wide-apart thinkers as Lecky and Brandeis finally agree upon social control over individual enterprise. All roads may lead to Rome, perhaps, but some of them may be too long and tortuous for the traveller. An active affirmative approach to a program is bound to be more productive than one assumed with great reluctance, and casting nostalgic eyes backward while constantly in search of pretexts for abandoning the enterprise.

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[39] Democracy and Liberty—Lecky, Vol. II, p. 246.
[40] The French Revolution—Carlyle, p. 591.
[41] Democracy and Liberty—Lecky, Vol. I, p. 258.
[42] Ibid., pp. 125-6.

AMERICAN COLLECTIVISM BY DUE PROCESS OF LAW

The American people, on the whole, follow the Leckian pragmatical formula. In one of his illuminating dissenting opinions Brandeis wrote of how we began with hesitant steps the unwilling journey toward collectivism after a fashion: "The belief was widespread that the great trusts had acquired their power, in the main, through destroying or overreaching their weaker rivals by resort to unfair practices. As Standard Oil rebates led to the creation of the Interstate Commerce Commission, other unfair methods of competition, which the investigations of the trusts had laid bare, led to the creation of the Federal Trade Commission. It was a new experiment on old lines; and the machinery employed was substantially similar." [43]

We shall presently see what success was achieved by this effort at business regulation through the instrumentality of the Bureau of Corporations and of the Federal Trade Commission.

Beard makes no epochal revelation by telling the world that in essence government regulation of private business has failed. The real significance in the creation of those regulatory bodies [44] lies not in their relative failure or success, but in the recognition by society in accordance with the processes of the democratic state that private business is not free and untrammelled, being limited in its operations only by the provisions of the criminal code, like anyone else; but that business, all business that affects large masses of our people, is endowed with a public interest, and therefore is amenable to public regulation and control.

Of course, there are limits established for the exercise of that broad authority. But those limits are not inherent in the nature of the democratic state. They are mechanically determined by legislative enactment, and later refined by judicial fiat disguised as interpretation. Both of these branches of government are ultimately amendable to popular control. The Supreme Court to-day has evolved to the point where it has abandoned its role of a retarding block, to become only a premonitory brake on progress. It is willing to find constitutional authority for almost everything that the people are really determined to have, and they will yield on the exception also, if the pressure be steady and long sustained.

So, for example, Chief Justice Taft summarized in a late decision the character of businesses said to be clothed with a public interest justifying the intervention of legislative control. These are businesses carried on under authority of public grants, as railroads and utilities, occupations which are traditionally subject to public regulation because of their nature, such as inns, carriers, and mills; and lastly businesses which though not public at their inception may fairly be said to have risen to be such in the course of their development.[45]

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[43] Social and Economic Views—Brandeis, p. 77.

[44] United States Since 1865—Hacker and Kendrick, p. 277.

The late Chief Justice would naturally be exceedingly circumspect in his views on the type of business that came under the last of his classifications. It would not be violative of the spirit of our institutions if another member of the Supreme Court, or several of them enough to constitute a majority, determined that the oil industry, or the steel industry, or the automobile industry, individually or collectively were enterprises vital to the economic welfare and military defense of the nation, and that any stoppages due to economic derangements which threatened to deprive the country of their products brought them within the sphere of legislative intervention with power in the premises sufficient to meet the demands of the situation.

THE PEACEFUL OPERATION OF THE CONTINUING AMERICAN REVOLUTION

This principle has been well stated by Chief Justice Hughes himself. "The Supreme Court," he says, "has recognized that the legislature may meet public emergencies by action that ordinarily would go beyond its constitutional authority. This principle is not limited to military exigencies in the theater of war, or to the extraordinary requirements of some great public calamity. Less grave, but unusual and urgent, conditions may justify temporary expedients." [46]

This is a long, long way from the days of Adam Smith's laissez-faire and the rugged individualism of Herbert Spencer's Social Statistics.[47] Obviously Justice Hughes has his own well-thought-out ideas as to what are or are not unusual and urgent conditions. It is not beyond the realm of possibility that another Chief Justice with a sufficient number of Associate Justices, may agree that a chronic army of ten million unemployed for over a period of ten years is a condition which is on a par, if not worse even than the exigencies of war, or of some great public calamity which would justify legislative intervention within the terms of the constitutional mandate.

Such a Supreme Court would not hesitate to support legislation intending to put idle capital and idle men to work, not only in the limited field now allowed it in the production of munitions of war and other instruments of destruction, but also in the creative activity of useful enterprise for the purposes of peace in the building of homes, factories, and of the means of production for things beneficially necessary to mankind.

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[45] From the Wolff Packing Case, quoted by Chief Justice Hughes in his book on the Supreme Court, p. 221.

[46] The Supreme Court of the United States—Hughes (1936 ed.), pp. 222-3.

[47] Social Statistics—Spencer, pp. 125-6.

Such are the possibilities opened up for our budding democracy due to the energy of those indomitable Greenbackers and Populists who advantaged the occasion presented to them by the excesses of corporate greed and the malefactors of great wealth in their day.

Yet another of their achievements was the Sherman Anti-Trust law enacted in 1890. It is easy to bring forth a contemptuous remark upon the inadequacies of that particular piece of legislation. Originally intended to curb monopoly practices and to break up combinations in restraint of trade,[48] it was first employed, ironically enough, to break up combinations of labor.[49]

President Theodore Roosevelt, who won some acclaim as a vocal Trust-Buster, was careful to differentiate between good trusts and bad trusts.[50] When finally the Supreme Court did order the dissolution of the Standard Oil Trust in 1911 the component segments waxed even more prosperous than before under the legal devices of holding companies, interlocking directorates and a common financial control through a powerful banking mechanism. Standard Oil actually evolved as a more powerful and aggressive enterprise after formal dissolution than before it was technically broken up. The advantages of large scale enterprise over cut-throat competition were too obvious for the government to pursue an intransigent policy.

LIMITATIONS OF ANTI-TRUST LEGISLATION

So, too, were the abuses of this form of private enterprise. More and more the energies of the law-enforcing agencies were devoted, if at all, to the prosecution of these abuses rather than for trust-busting as such in accordance with the middle class competitive ideology which first put that law on the statute books.

C. F. Hughes, writing in the New York Times on the occasion of the fiftieth anniversary of that law, reports that Britain, too, has discovered what we in the United States have experienced, namely, that monopolies are the seeds of destruction to the free competitive system, but that no effective means have been discovered to curb them.[51]

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[48] United States Since 1865—Hacker and Kendrick, p. 289.

[49] Growth of Democracy—Nichols, p. 389.

[50] Development of the United States—Farrand, pp. 311-12.

Assistant Attorney General Arnold, currently in charge of anti-trust prosecution, admits that the Sherman Law has undergone a metamorphosis far different from the intentions of its authors and those responsible for its enactment. "To-day," he writes, "the act has acquired a new meaning because prosecutions are directed in the interests of consumers. The emphasis has been shifted from the old idea of trust-busting merely for the sake of trust-busting. Now it is a free market for the necessities of life that the anti-trust division is interested in." [52] He concludes in a soap-box appeal for an adequate force to patrol the roads of commerce to protect the helpless consumer from these economic highwaymen.

This is an excellent illustration, among other things, of the different meaning which may be applied to the same words on the statute books, as well as of the exacerbating shortsightedness of leading public officials entrusted with law enforcement.

At no time was trust-busting advocated out of the sheer malicious pursuit of the sport. To the generation which wrote that public policy into law, large-scale enterprise was a wicked and dangerous thing because it resorted to, and grew by, the employment of wicked and dangerous methods in economics, in law, and in their influence upon the state. Free competition to them meant not only the unhampered distribution of goods, but equally so their unfettered production in enterprises open to all on a fair and competitive basis.

If Arnold, speaking for the present Administration, sees fit to limit the activities of the Department of Justice to the distribution of goods, he has surrendered, as unattainable, the primary purpose of the Sherman Anti-Trust law, which was to break up production monopolies and thereby insure competition in distribution. It is not for him to sneer at the original purposes of that law.

Since Arnold felt impelled to comment upon it, he would have served the interests of clarity in political thinking far better had he devoted his talents to the elucidation of the historical factors which have compelled the abandonment of the original purposes behind anti-trust legislation, and its evolution by his own confession, to being merely a matter of consumer protection, thereby tacitly admitting that the factors of production are far too powerful for the government, as now constituted, to handle them effectively. We have already discussed the proposition that in modern economy the forces of production are the dominant factors in industrial capitalism.

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[51] Merchants' Point of View column by Hughes in N. Y. Times, July 7, 1940.
[52] N. Y. Times, July 7, 1940.

Nichols, as an historian, is much more frank than Arnold the statesman. He admits that the chief contribution of anti-trust legislation was the effort of the public agency to regulate private property in the public interest.[53] The question whether or not the effort was successful is secondary; of transcendent historical importance is the assertion fifty years ago by the people acting through their government that any private business, no matter what its nature, when it becomes vital to the public welfare owes certain duties to the public; and that these responsibilities will be enforced whenever their practices redound to the public detriment.

So far the tendency has been to keep clear of the problems arising out of monopolies in production to the consideration of monopolies in distribution, although Fowler is eminently justified in raising the question of how a business combination can acquire a monopoly in the manufacture of a product without thereby affecting its price to the ultimate consumer.[54] There may be competition in the sale of that product, but the cards can be stacked too easily against the public at the point of production by the time those products enter into the sphere of circulation.

CHANGING IDEOLOGIES CONCERNING BIG BUSINESS

Enforcement officials cannot be held responsible for the uncertain language of the laws by whose provisions they must be guided, or for the deliberate obscurantism of legislative leaders, or for the shifting policies of tight-rope walking executives to whom they are beholden for office. There is no doubt that the petty bourgeois ideology, the prevailing middle class spirit in the United States of 1890 demanded the suppression of trusts because they tended to crush out the small producer and further the concentration of wealth. The ideal of American existence was a general state of well-being for all, without a few towering cliffs of wealth accumulation with deep and extensive vales of depression between. But the country was irrevocably embarked upon a program of economic development which could not but produce the very condition that it aimed to avoid; namely, the inordinate concentration of wealth with a small plutocracy beyond the reach of the law, and a vast proletariat beneath the notice of the law.

So inexorable was the operation of these economic forces that the Federal Trade Commission felt impelled to publish its consequences to the American people. By 1922 the total wealth of the United States was not less than $353,300,000,000. Real estate accounted for $230,000,000,000 of the total, and the remainder of $123,300,000,000 represented other forms of wealth. Corporations then controlled $102,000,000,000 of the assets of the nation.[55] Since a large part of the real and personal property of the country is in the form of small farms, homes, furnishings including the usual use values such as autos, pianos and the like, it is obvious that an overwhelming proportion of the means of producing wealth outside of agriculture were concentrated in the control of corporations.

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[53] Growth of American Democracy—Nichols, p. 451.

[54] Economic Foundation of Business—Spahr; article by Fowler, Vol. I, p. 230.

Startling as these figures were, they did not present the finer details of the absorbing picture of this new America whose first faint outlines began to show themselves soon after their hothouse germinating process in the travail of the Civil War.

Clearly there are corporations—and corporations. The little restaurant around the corner may no longer be run by Patsy the Greek, but by the O.K. Sunshine Food, Incorporated. In the statistics it is lumped together with General Motors. Therefore Corey supplies us with the essential information that in 1923 only one quarter of one per cent of the corporations then in existence received forty-eight per cent of the total net corporate income, while by 1929 the same small group was getting sixty per cent of the corporate income.[56] Furthermore, during that same lush year 238 corporations reported a net income of $4,148,000,000, while 228,475 small non-corporate enterprises of all types reported profits of $1,836,000,000.[57] Here indeed is concentration of economic power with a vengeance.

MONOPOLIES AS A HINDRANCE TO INDUSTRIAL PROGRESS

Over fifty years ago when the United States was still middle class, the small producer saw the handwriting on the wall and tried to erase it by destroying the wall. The shadows of time mocked his unavailing efforts. "Considerations of increasing efficiency," writes Corey in his penetrating analysis of economic processes in American life, "were not dominant in combination. On the contrary, efficiency was usually sacrificed by the inclusion in combinations of obsolete, inefficient, or unnecessary plants." [58]

Industrial efficiency was the by-product of monopolies, and not its mainspring, which was the destruction of competition, the control of production and the determination of price on the principle of marginal return.

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[55] Economic Foundation of Business—Spahr; article by Fowler, Vol. I, p. 184.

[56] Decline of American Capitalism—Corey (1934), p. 384.

[57] Ibid., p. 386.

[58] Ibid., p. 377.

It is true that price fixing, limiting production, and dividing up territory by collusive agreement have been declared illegal by the Supreme Court. But the same court had allowed trade associations to be formed under various pretexts, for such innocent, indeed laudable, purposes as collection and dissemination of statistics, cost accounting, industrial research and standardization of methods.[59]

During the famous Steel Institute dinners of which the steel magnate Schwab spoke with such generous warmth, the only standardized practice upon which they could obtain enthusiastic unanimity was the price of steel products for which the public was to be gouged until the next banquet time came around.

Theoretically the Supreme Court is not concerned with the wisdom of legislation, only with its constitutionality.[60] Practically, the Court cannot blind itself to the realities of life and promulgate rules of business conduct which are out of tune with the times, no matter how ample the legislative powers and how praiseworthy its objectives.

FAILURE OF THE SHERMAN ANTI-TRUST LAW

What were the original objectives of the Sherman Anti-Trust Law? They can all be summed up in a single sentence: To save the small producer who was the backbone of the middle class in a free competitive economy. Since then clever apologists have sought to establish that the middle class as a factor in American economic life has not disappeared; that, on the contrary, it is still the backbone of the nation, and constitutes the solid core of our democracy. Like most debates of this character, the disputants have not taken the trouble to define their terms, or use the same words about different things.

Who has not read statistics to prove that American society is essentially middle class in character, even though the family home is mortgaged up to the attic and six months of unemployment is enough to put that family on relief! Usually the course of the argument begins with the assumption that the family is the unit of American life—a fact no one would care to deny—and that a two-thousand-dollar-a-year family income is sufficient to place its members on a fair level of economic well-being.

[59] Economic Foundation of Business—Spahr; article by Fowler, Vol. I, p. 189.

[60] Social and Economic Views—Brandeis, p. 98.

Data can be easily scraped together to prove that every steel worker whose annual earnings, when employed, reach about fifteen hundred dollars combined with the earnings of his wife or children places him instantly in the ranks of the great middle class. That genius in stale mediocrity, Dr. George Gallup, the director of the American Institute of Public Opinion, actually included in the middle class all workers enjoying an income—when working—of from twenty dollars to fifty dollars a week.[61] Our high-pressure magazine writers picture this paragon of a petty bourgeois in his cottage tending to the lawn, and the family car inside the garage. Data is given on the expenditures for clothes, movies and ice cream sodas that are astronomic in magnitude. Truly, the country is a veritable paradise.

Then comes the sad day when the factory whistle is stilled; the smoke no longer belches from the chimneys; the cars do not clog the factory parking lots. The whole bubble has burst. The "capitalist" owner of his commodity, labor power, finds no market, and, like all other sellers who find no buyer, he knows that the crisis is on with, however, this important exception: He cannot go into bankruptcy and put up his stomach for sale. These beautifully-phrased analogies of high-pressure apologists of the status quo break down in the critical test. The wage-worker as a bustling capitalist evaporates with all the other phantasmagorias of the Coolidge-Hoover era.

This fellow-traveller of Rockefeller now stands forth in all his nakedness as one totally divorced from the means of production now possessed by another and to which he is merely an accessory, just like the power, the raw materials, the pulleys and wheels which make the process of production go round. When the commodities he helps to produce cease to circulate, his particular commodity is no longer in demand.

He draws whatever satisfaction he can—we suppose he has studied political economy—from the thought that only living labor in action can preserve existing values and create besides additional or surplus values, and that his boss suffers equally with himself—in other ways. His capitalist-minded mentors reject strenuously this un-American doctrine of the social classes, but the fact remains that normal social health in the existing economy is not restored until living labor is set to work upon the products of past labor; namely, capital in the form of means of production which are the private property of another.

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[61] Dr. Gallup in various issues of the New York Times during October, 1940, in connection with pre-election "tests" of public opinion.

DISAPPEARANCE OF SMALL PRODUCER IN BASIC INDUSTRY

Many futile efforts have been made to explain away the overwhelming social significance of the disappearance of the small producer as a factor in the economic life of the nation. Statistics can be employed to confuse, as well as to enlighten. Unless the use of statistics is governed by well-defined principles which they illustrate, there is opened up a vast quagmire of subjectivity where each feels free to rationalize upon their significance. The problem of the middle class can be approached only from the point of view of the relations of production, because those relations govern the entire superstructure of our society.

It has been demonstrated that the state and the dominant ideologies all were factors in determining the development of modern industrial capitalism. One has but to read the current reports in the financial pages of the New York Times to discover that capitalism begins with production, and after passing through the cycle of turnover, starts all over again with reproduction.

No one has heard of a crisis developing because there are too many gas stations or corner grocery stores. In the best of times the small service occupations into which the middle class has been thrust, or where it has sought vainly for refuge, have shown an astounding mortality rate without in the least affecting the tenor of our economy. No one encounters much difficulty in spending his money; it is a more serious matter when it comes to finding a purchaser for your product.

It has always been a moot question for the professoriate whether or not the middle class was disappearing from the scene, and a mass of data was forthcoming concerning the large number of small businesses that dot the land. Care is taken by the dabblers in figures not to indicate the nature of these businesses. Marx himself showed that with the increasing wealth of society resulting principally from the heightened productivity of labor due to technological advances there is released large masses of labor from creative work to the service occupations.[62]

During the lush years of the 1920's it was amazing to note the mass of stores, service stations, road houses and amusement places that sprang into existence. The release of labor, and capital also, from productive employment would, under a rational organization of society, constitute a vast social gain whereby those forces could be employed for social betterment; but under the existing order, either small capital is driven into parasitic employment or it backs up into unused reserves, while labor must content itself with pandering to petty whims preparatory to going on the relief rolls.

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[62] Capital—Marx, Vol. III, pp. 260, 277-8, 805.

Corey might well have saved himself the apology for Marx's inadequacy in the analysis of the future of the middle class in modern society.[63] Economically it is a minor factor while ideologically it is content to meander along with the shibboleths of fifty years ago. The middle class constitutes to this day the greatest stumbling block in the efforts to reorganize the social order on a rational basis. While fatuously living in a dream-world of long ago, they are by that very fact allowing to accumulate the pent-up forces which can propel this country only toward retrogression and decay.

CRISES AS A LEVER TOWARD THE CONCENTRATION OF CAPITAL

Crises as a powerful lever toward the concentration of capital was not a factor within the purview of the supporters of anti-trust legislation. Yet among all the elements operating with inexorable force toward the elimination of small-scale enterprise, none proved more effective than the periodic cycles through which capitalism passes from the dizzy heights of boom hysteria to the melancholy aftermath of the slow and painful journey through the vale of depression to the level of normalcy.

During 1893 one of those periodic economic plagues visited the land. Banks as usual experienced the first premonitions of the impending storm. In that year occurred one hundred and fifty-eight failures of national banks, chiefly in the West, besides one hundred and seventy-seven private banks, forty-seven savings banks, thirteen loan and trust companies and sixteen mortgage companies.

In the frantic effort on the part of business men to maintain their solvency call money went up to 74 per cent. One-fourth of the nation's railroad mileage was in receivership, affecting almost three billion dollars of outstanding stocks and bonds.

Henry Adams describes those times as it affected him when he received letters from his brothers while on a trip abroad to return immediately to Boston because the community was bankrupt and he was probably a beggar. With the greatest difficulty he was able to cash a check for fifty dollars when he desired to draw a hundred from an ample account.[64]

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[63] Decline of American Capitalism—Corey, p. 386.

[64] History of the United States—Rhodes, Vol. VIII, pp. 401-2.

It is in times like these that capitalists with ready cash or readily convertible securities go into the market and make their killings.[65] Veritably billions of inherently sound securities are bought up at a fraction of their value. In the end, the net result of this process is that many industrial capitalists have lost control of the enterprises they have built up over the years.

During the crisis when the small producers have overextended their resources and find themselves in a tight spot for ready cash, they have the choice of liquidating a portion of their holdings or losing the whole in bankruptcy. When their available liquid resources have been exhausted the industrial enterprise of a lifetime's planning collapses suddenly about their ears. "The financial oligarchy," writes Corey, "speculative, adventurous, wholly parasitic, dominates the capitalist class. This is the stage of the decline of capitalism." [66]

We will not now pass judgment upon Corey's conclusion, since we have still to discuss the role of centralization of capital in contradistinction to concentration. But the fact remains that in the period of our historical development under consideration, particularly in that phase between 1873 and 1913, the consequences of the economic cycle at the time of collapse were invariably favorable toward the elimination of the small producer and the greater concentration of productive resources in corporate control.

EVOLUTION OF THE TRUST AND THE HOLDING COMPANY

Meanwhile even under normal conditions the processes of capital concentration went on apace by their own irresistible momentum. The trustee method of consolidation had fallen into general disrepute ostensibly because of the unconscionable tactics of Standard Oil and its imitators, but really because it was a new industrial phenomenon which went counter to the accepted and traditional methods of doing business.

As a consequence the holding company scheme was devised to overcome the legal and ideological difficulties placed in the way of trust formation. The process by which these companies operated was to secure the voting control of an enterprise, and then to float a bond and stock issue in the name of the holding company or one of its subsidiaries. This pyramiding process is repeated until in the case of the Van Sweringen brothers they were enabled through their

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[65] Capital—Marx, Vol. III, p. 590.

[66] Decline of American Capitalism—Corey, p. 398.

Alleghany Corporation, a holding company they controlled, to build a few million dollars into an industrial empire, principally in railroads, with resources of three billion dollars under their control.

Ivar Kreuger is an excellent case of one who held two continents dazzled by his financial brilliance in manipulating holding companies until, in the language of the Street, the plug was pulled and his financial empire crashed into the nothingness out of which it had been created.[67]

Through the medium of holding corporations and outright consolidations which seized upon the country like a virulent disease after the collapse of Populism and the final entrenchment of Big Industry, capital concentration ruled the day. Before January 1, 1896 there were but eighty-two large combinations in existence. Between that date and January 1, 1904 no less than two hundred and thirty-six industrial combinations had been created and with them the master creation of the House of Morgan, the United States Steel Corporation. The day of the billion-dollar company had now arrived.[68]

Theodore Roosevelt performed some interesting gyrations in his trust-busting campaign which amused the public and created an extraordinary if tolerant interest in their Teddy whom it cuddled to its collective bosom. But outside of his pitiless publicity against malefactors of great wealth, resulting in the creation of the Bureau of Corporations to wield the big stick of the Administration, his more considered judgment dictated the rule of reason in the evaluation of "good" and "bad" monopolies.

Despite his middle class sympathies,[69] Roosevelt was too shrewd to attempt to still the tide of capitalist progress and too volatile to adopt the reformer's mien in advance of the public acclaim upon which he thrived, or to retain that posture after the public interest had waned. History made Roosevelt, while he bustled around with inordinate energy pretending that he made history.

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[67] America in Midpassage—Beard, pp. 179-183.

[68] Economic Foundation of Business—Spahr; article by Fowler, Vol. I, pp. 201-2.

[69] United States Since 1865—Hacker and Kendrick, pp. 382-3.

CHAPTER XIX

Adventures In Imperialism

HAPPY THOUGHTS AMONG THE POLITICALLY IMPORTANT

Modern imperialism and modern economic crises are the distinctive characteristics of capitalism in its monopoly-finance capital phase. This is a proposition of overwhelming historical importance. No one is expected to accept this statement on its mere assertion. It shall be the principal task of the remainder of this work to demonstrate the logic of this statement in the only way any scientific proposition can be proved—by the disclosure of the laws of motion controlling the phenomena which presents itself for investigation, and the offering of a consistent and rational explanation of all the pertinent facts to the exclusion of any other agencies as the possible sufficient cause.

Since this part of our investigation goes to the very essence of modern history and will seek to establish the decisive causal agencies of modern economic crises and world wars, we must be on guard against unconscious assumptions and uncritical acceptance of well-known formulas. Science cannot indulge the propensity for happy thoughts and clever improvisations to skirt around a difficulty. Sooner or later their inadequacies come to light, and in history usually with disastrous consequences.

President Franklin D. Roosevelt was nothing if not a pragmatical when he announced to the world—or was it just a trial balloon through his spokesman?—another of his happy thoughts as a solution for the present world situation. He proposed the division of the world into three spheres: the European, the Asiatic, and the American.[1] The fact that this proposal was quietly dropped a few days after it was seriously advanced to an expectant world searching for light and guidance is a reflection not only upon the calibre of statesmanship which now dominates the world scene, but is a measure of world disappointment with all these happy thought solutions of problems that come home to roost eventually, eating up the treasure and substance of mankind.

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[1] New York Times, July 7, 1940.

According to this fantastic scheme of allegedly mature American statesmanship, to each of these world divisions the Monroe Doctrine would apply, presumably by the concert of the nations involved in those areas. Theoretically the twenty-one Republics of the New World are the joint custodians of the Monroe Doctrine. Actually the world is not as gullible as official diplomats pretend it to be.

Nor can it be concealed that at the time when this latest brain child came into existence, Germany showed every evidence of establishing her unquestioned supremacy in Europe, while Japan claimed a free hand in her half of the Pacific. This scheme for dividing up the world met with the enthusiastic support of the Japanese Foreign Office in the words of its official spokesman.[2] This is not the first, nor probably the last, of Roosevelt's improvisations,[3] nor is it even fated a trial in the approved manner of pragmatical statesmanship. The key to the present world situation is in the knowledge of the factors which contribute to modern imperialism and war. Without that knowledge the world must flounder from disaster to disaster, until either understanding or chaos will take control of world affairs.

FOUR SCHOOLS OF THOUGHT IN THE ANALYSIS OF IMPERIALISM

There are four distinct schools of thought in the analysis of imperialism—the romantic, the professional diplomatic, the classical historian, and the Marxian.

The romantic school views imperialism as an emanation of the human spirit independent of time and space and the relationship of earthly things. Since imperialism is based upon empire, and empires are as old as the human story, its theory and practice consequently must have a venerable descent from the dawn of civilization. In fact, Tucker draws a straight line from the throne of Menes in Egypt to the White House in Washington occupied by Wilson at the time when his masterpiece of erudition was perpetrated upon the world.[4] Empire is a matter of transportation, spake this oracle, and he who controls transportation is well on the road to becoming an Emperor.[5] If the American railroads, he argues, continue in the hands of speculative capitalists we must have a Director-General of Highways who will become our Caesar.[6]

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[2] New York Sun, July 10, 1940.

[3] America in Midpassage—Beard, p. 515.

[4] History of Imperialism—Tucker (1920), p. 5.

[5] Ibid., p. 7.

Since art was at the birth of empire, continues this erudite divine, the quest of gold began in the quest of wives, and thus "Empire begins in a lover's quest and pledge." [7] You see, this led to the search for the precious metal, and since the roads are few and the yearners for love's unredeemed pledges are many, there began the mortal combat for the control of transportation. And so started the struggle for domination of the world's highways. Possession of Constantinople means to the East what the oath of inauguration taken at the Capitol in Washington means to Americans; for what "Roum is Roum" means to the Moslems, we in America do in the name of Humanity or Democracy.[8] This leads to the conclusion, by some process known only to the distinguished author, that Washington, Adams, Madison and others among the American saints represented the landlords and manufacturers of the seaboard, while Jefferson represented the great unwashed.[9]

If these brief gems appear somewhat incoherent and very much malapropos the reader is invited to try his hand at the four hundred and four original pages, and should he survive the ordeal he will agree that these excerpts are a fair representation of the original. They are presented, of course, only to show how ridiculous a rational problem may be made to appear in irrational hands.

Vandenberg, the quondam scholar now turned United States Senator and occasional aspirant for the Republican nomination for the Presidency, felt the impelling necessity to present his qualifications for high statesmanship by writing a book on American foreign policy. At the time when it came off the presses in 1926 the League of Nations and the World Court were still issues in the public eye and Vandenberg had to show his paces in order to impress his qualifications for a seat among those who have writ their names for posterity, and whom fickle-minded posterity has already forgotten during their very life-time.

Vandenberg undertakes to build up his case for a perpetual foreign policy. "It threads straight through the romance of the United States," he writes. "It is a continuous, unbroken highway, from yesterday to now. The Fathers surveyed it for posterity. Sometimes it has been uncertain, traversing a doubtful fog. Sometimes it has wavered in a momentary maze. But always it has blazed on through—the more remarkable for these vicissitudes." [10]

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[6] History of Imperialism—Tucker, p. 400.

[7] Ibid., p. 13.

[8] Ibid., p. 210.

[9] Ibid., p. 385.

[10] The Trail of a Tradition—Vandenberg (1926), p. 399.

At this point one is tempted to yield him the nomination in order to stem the rhetorical flow. Perhaps it is unkind to analyze in detail the case he builds up in such obviously synthetic and lawyer-like procedure to prove by a selective process a predetermined conclusion. Vandenberg is a perfect illustration of the political mind as it works in the sphere of politics or statesmanship or diplomacy; a perfect example of the pompous mediocrity which rules the nations of the world, and has brought it to its present pass.

TRADITIONAL INTERPRETATION OF AMERICAN FOREIGN POLICY BY A REPUBLICAN POLITICIAN

Vandenberg must be a good lawyer, judging by his clever presentation of the case that the United States better mind its own business, though he would be hard put to define precisely what that business is or was, or will be. The tradition of aloofness had a hard beginning, he avers. Vandenberg deliberately makes it harder by stating that American independence was dependent upon the generous aid of France in arms, men, ships and money. He places that among the decisive factors of the struggle, but is careful to limit that by the expression "largely indispensable factors." [11] He dare not go the whole hog because it would vitiate his entire carefully planned epistemological structure.

In our view it would not affect the case for the United States as an independent nation even if freedom had been presented to her on a fine French porcelain platter without the American people having raised a finger in their own behalf. Neither our economy nor our ideology could have developed as they did without a state apparatus adequate to both.

Vandenberg later concedes that France's aid to the struggling American colonies was dictated as part of its larger world policy, in which the self-declared United States was a pawn in the pursuit of its own best interests.[12] Therefore he finds ample grounds to justify the policy enunciated by Washington in his Farewell Address of extending to the fullest our commercial relations with Europe, while reducing our political connections to the indispensable minimum. This program Washington had worked out five years before, and it was carefully edited by its author before it was released for publication in a Philadelphia paper.[13]

Being a stalwart Republican, Vandenberg finds that everything

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[11] The Trail of a Tradition—Vandenberg, p. 43.

[12] Ibid., pp. 78-82.

[13] Ibid., pp. 132, 140.

Jefferson and Madison did with this young tradition was wrong,[14] as it could not have been otherwise at the hands of Democrats. But finally destiny presented us with a President in the form of Monroe, who was neither political fish nor fowl, having been the unanimous choice, less one vote, for his office in the Era of Good Feeling. Of course, he was not a great statesman [15]—since only the Republican Party possesses the patent for their creation—and besides he depended upon Jefferson and Madison for their favorable consideration before promulgating the historic Monroe Doctrine.

More thoughtful scholars [16] have indicated precisely what were the contributions of these Democratic Elder Statesmen in the formulation of that policy which in effect made us the ally of Great Britain in matters pertaining to European intervention in New World affairs.[17] This does not deter Vandenberg from singing Te Deums in praise of the great Doctrine under which our Latin-American neighbors "have blossomed into proud and capable maturity under the priceless autonomies which the Doctrine of separate destiny has permitted and preserved," while "there is still a necessary reliance upon the unshifting and unshifted bases of this greatness." [18]

This gorgeous and senseless phraseology is typical of the mental vacuum in which our great political leaders customarily live. Nothing has been more shifting and uncertain than the meaning of the Monroe Doctrine which has been made to serve the purpose of dollar diplomacy and military intervention as it now does for the Good Neighbor policy which beneath all its fine, benevolent phraseology reduces the North and South American continents to satrapies of the United States with the single exception of Canada—and that ultimately depends upon the future of the British Empire. We pass in silence the abysmal ignorance Vandenberg discloses concerning the actual political, the social and the economic conditions now prevailing in the respective Latin-American Republics.

It is pointless to pursue Vandenberg's ideas any further. Like Senator Borah whose remarks he embodies as his own, he stands for a policy of government as it has existed, so he claims, for one hundred and fifty years to keep this country out of entangling political and military alliances with Europe.[19] He abjures the epithet "isolationist," and very properly retorts that no nation can continue in the normal commercial and aesthetic intercourse with the rest of the world without thereby obligating itself to participate in its broils and share either in its gains or losses.

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[14] Ibid., p. 154.

[15] Ibid., p. 193.

[16] American Foreign Policy—Latane (1927), pp. 185-7.

[17] Ibid., p. 188.

[18] Ibid., p. 246.

[19] The Trail of a Tradition—Vandenberg, p. 390.

This pleasant American tradition in the Vandenberg style would leave us in the situation of keeping aloof from the world's problems and coming onto the world stage only when it suited our convenience and furthered our interests.[20] We were not able to do that during the First World War, and we will be unable to keep out of the present one if England should succeed in prolonging the war into 1941—as she has actually done. The romantic school of historians are neither emotionally nor intellectually capable of analyzing the factors which dragged the United States into the first conflict and which will inevitably propel us into the present one if only we have sufficient time to prepare—as we are now feverishly doing—and if England continues to hold out as a center of resistance to Hitler.

THE HISTORICAL SPECIALIST IN THE FIELD OF DIPLOMACY

Specialists in the diplomatic phase of American history possess some of the virtues of the scientific historian and all the defects of the romantic school of analysis. With great care they present the pertinent facts carefully systematized and classified to suit the most exacting requirements. But the data is so voluminous that it would be impossible to present any sort of understandable picture unless the material was carefully sifted. Consequently there must exist some pre-conceived notion as to its relative importance and the weight to be assigned to the component elements.

Here the classical writer can be heard clapping his hands enthusiastically. It is exactly what John Dewey and Robinson and Barnes and the rest have been saying about the writer's subjective frame of reference. Our reply is that it is immaterial whether we consider the diplomatic, the economic, the ideological or any other phase of history—unless we possess a clear idea of the underlying laws of social motion, any classification of data is bound to be along some plan dictated by subjective rationalization and not by the social forces operating in history. Employing the methods established by the Historical Field Theory, all the facts of our international relations, those thought important and those unused as unimportant, must be explained in accordance with these social laws if they are to possess scientific significance.

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[20] Ibid., p. 314.

These reflections are called forth by Latane's informative volume on American foreign policy. The material is sifted, but in accordance with an arrangement undisclosed to the reader. On the contrary, the writer, who is typical of the professional teachers of a specialized subject, will probably maintain that he had no subjective frame of reference outside of presenting the most illuminating authentic material in the limited space at his disposal.

In essence his volume is merely a repetition of the classical American history from the standpoint of our foreign relations. The data employed is the usual material to be found in any well-conceived general history of generous proportions. So, for that matter, is the substance of an industrial or an economic history of the United States, varying only from the general type by the fullness of the special matter embodied in the narrative.

So does Latane carry us through the well-threshed discussion of the French Alliance, the motives of the principals, and the basis upon which aid was extended to the struggling colonies. Some additional material is presented not contained in the usual histories, such as the gifts from the King of France to the United States separate and apart from the governmental loans.

As to these gifts, unlike the regular loans, repayment of them was not expected, was never demanded, and was never offered. Special attention is drawn to this because the author has caught someone on the hip and goes into fullest detail to prove how no less a student of our history than Senator Borah insisted on the floor of the Senate that these gifts were subsequently included in the sums repaid to France after the Federal government was duly established.[21] It was an exhibition of grievous ignorance, no doubt, on the part of the chairman of the Committee on Foreign Relations in the eyes of the specialist, but the additional information did not affect either Borah's main proposition nor diminish in the slightest the high esteem which the public justly entertained for that gifted orator.

Just as one may read the tons of statistics on economics piled up in the various government archives without being at all the wiser concerning the nature of the capitalist system, so may one devote the years of Methuselah to poring over the equally voluminous official data on our foreign relations and still be unable to penetrate the mystery of why it all began and what keeps it going. But just as the infinite mass of economic material is soon classified and systematized once the inner processes of capitalist economy are understood, so can the same fundamental method of analysis be applied to our diplomatic affairs, once we know that our external relations are an

[21] American Foreign Policy—Latane (1927), p. 65.

extrusion of our internal relations, and that both are determined by the same causal factors.

Simple as this proposition appears to be, it can be readily understood that the very same people who administer our domestic affairs also dictate our foreign policy, and that ignorance does not change its character simply by donning the impressive finery and exalted language customary in diplomatic intercourse. When Secretary of State Bryan so idealistically negotiated arbitration treaties with the entire world, that did not prevent the United States from pursuing an independent and aggressive policy in strict accordance with what it deemed to be its paramount interests.

When Secretary of State Hughes electrified the world at the Washington Naval Conference in 1922 by agreeing to sink American battleships while other Powers sank their blueprints in the sacred cause of preserving world peace, he simply followed the familiar path of American diplomacy in the grand manner with eyes fixed on the star of fame and immortality, while the feet became entangled in the clever snares his gentle conferees laid for him and his country for the years to come.

So did Secretary of State Kellogg strain for immortality by getting all and sundry to sign a paper outlawing war as an instrument of national policy; while the latest occupant of that exalted post, Secretary Hull, went blithely along the primrose path of elusive immortality garnering applause and reciprocal trade pacts until hell's fury burst about his ears.

Some benign archangel doubtless had filled Hull's ear with the mystic secret that economics rules the world, and trade rules economics, and if all nations will agree to trade with one another amicably—and all the world knows how amicably domestic commerce is carried on, what with innumerable regulatory bodies, countless restraining laws, and above all the sheriff with his jails and posse—why then, extend that to the field of international business and all the problems of the world will dissolve like the mist before the rising sun, tra la! Hull got his treaties, and Congress is considering additional appropriations for armaments in order to re-inforce their abstract morality.

ABSTRACT MORALITY AND INTERNATIONAL GOOD FAITH

"But the reader may ask," Latane cautiously forestalls, "what is the use in signing any treaty if the nations are so devoid of good faith? The answer is that the vast majority of treaties are faithfully kept in time of peace, but very few treaties are fully observed in time of war." [22] Such perspicuity is absolutely breathtaking.

And what kind of treaties, one may ask, are observed in peace and in war? One must attend a seminar at the Johns Hopkins University in order to discover the answer. There one learns quite unexpectedly that the mass of innocuous treaties are generally observed; only the ones that really matter are consistently broken whenever it serves the policy of the principals to adopt that course.

An interesting anecdote is related in connection with Far Eastern treaties evolved at the same 1922 Washington Conference. After Secretary Hughes had presented the world with the document which was to establish the status quo in that region for all time, and had praised it as an outstanding example of brevity and clearness, the question was asked whether the United States, as one of the High Contracting Parties, undertook to guarantee the integrity of the Japanese Empire as it was presently constituted. "Hughes stated to the correspondents that it did; the President said it did not. Whereupon some wag remarked that at Paris President Wilson did not let the American delegation know what he did, while at Washington the delegates did not let President Harding know what they were doing." [23]

This is a fair example of the superficiality that passes for cleverness and stupidity for wisdom, as well as of the conflicting interpretations interested parties draw out of the same diplomatic documents whenever the need arises. It is noteworthy that the interpretation insisted upon always coincides with the best interests of the nation involved as it is then conceived. No case is recorded of a nation deliberately committing hara-kiri out of abstract devotion to its pledged word. When Turkey reneged on its obligation to enter into the war on the side of the Allies when a Mediterranean power should declare war against one of them, no one really blamed her when Italy gave her knife thrust into the back of the fallen French gladiator. So did the same France enter into a separate peace with the common enemy and agree to a situation where its fleet might have been employed against her closest ally.

ABSURDITIES IN DIPLOMATIC FANDANGLE

Diplomacy is not a thing which lives in an ethereal medium separate and apart from contact with the mundane world. It can, however, be said that of all functions of government the State Departments of the various nations seem furthest removed from the realities of existence. Its practitioners, particularly among the aristocracy of the Western Powers, live in the dream world of noble knights and fair ladies who suffered untold agonies because of the power of the plighted word.

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[22] American Foreign Policy—Latane, p. 649.

[23] Ibid., p. 652.

Medieval traditions are handed down from generation to generation of diplomatic functionaries, and the bustling American go-getter after he has made his pile and has landed an Ambassadorship attempts to acclimate himself to the luxurious periods and magnificent gestures of this strange world into which he has been transplanted. The average American diplomat knows nothing of the larger national interests because he has never pursued any but his own. A successful lawyer is considered the logical head of a department where the nation is presumed to be his client. And so he diverts to the management of its affairs all the skill of a gifted negotiator in the give and take of ordinary life.

The only extraordinary thing about diplomacy is its weird, high-sounding and deliberately unintelligible phraseology. So masses of documents originate in much fandangle and mystery, with its secret archives and complicated plots and counter-plots, and finally the most awesome pledges of eternal faith between the signatories. After a respectable period these archives are opened and scholars ruminate, and after considerable head-shaking and tongue-clicking over the basic idiocy of the stuff, it is then published in a highly abbreviated form to a very indifferent world. Earnest searchers after scholastic honors must take special courses, and that's why books like Latane's are born.

One may memorize the stuff and repeat it by heart without being any the wiser concerning the nature and origin of American imperialism. For any particular period or phase of history the manner of treatment differs in no wise from the traditional historical method of facts and interpretation.

William Starr Myers, by way of illustration, thinks he has discharged his duties when he cups his mouth significantly and whispers sotto voce that Roosevelt's "Good Neighbor" phrase is not original at all, but was first used by Elihu Root in 1907, and is really nothing but the old dollar diplomacy in modern dress.[24] O blessed research!

So, for example, Griswold's special work on the American Far Eastern Policy goes into more detail to prove that Hughes' bombshell address on naval limitation was not altogether a bolt from the blue as the sycophants then proclaimed it, but a carefully rehearsed performance in which Balfour and the other foreign statesmen[25] played their role with the finesse customarily associated as the principal accomplishment of the professional diplomat; which is nothing more than the scintillating drawing room superficiality expected of every brilliant debutante translated to the drawing room scene on the world stage.

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[24] Foreign Policies of Herbert Hoover—Myers (1940), p. 53.

Of that same profundity is the keenness with which so-called savants will trace the derivation of a significant phrase or passage; or look tremendously wise as they unfold the world-shaking revelation that the Four-Power Treaty in substance really amounted to a composite of the Bryan Peace Commission Treaty and Article Five of the Root-Takahira Agreement.[26] Griswold also concedes that Hughes traded a great deal for little in return,[27] and that the treaties went only as far as pen and ink could go to preserve a status quo in a dynamically changing world.[28] If Griswold really felt that way, he ought to be tearing the walls down to arouse America to the dangers of classical diplomacy.

The utter, abysmal futility of this entire business, this dangerous lulling over an active volcano, this deceitful trusting faith in paper agreements which each of the parties hoped would work out for its own advantage and to its partner's detriment, and which each of them was thoroughly prepared to scrap once its paramount interests were threatened, all is accepted with a delicate and supposedly significant diplomatic shrug as part of life's realities, just as we accept slums, unemployment, crop destruction, hunger and democracy in boss-ridden, wealth-dominated politics at home.

These are the people who wake up one fine morning to find their entire flimsy diplomatic structure blown down to earth, while the tom-toms are gotten out to save the world for democracy, or to repel the peril of one sort or another, and thus after much blood and sweat and tears to set the stage once more upon which these high-sounding, high-living, expensive incompetents can resume the absorbing game of pretending to checkmate the other. How any rational person can be taken in by all this nonsense passes all understanding.

The ultimate basis of international politics is force. Civilization has never known any other kind of politics. Reading the utterances of the world's leading statesmen during the First World War in connection with the development of Wilson's Fourteen Points, as dutifully summarized by Latane, one carries away the conviction that either they were the world's leading simpletons or its principal knaves.[29] Whichever they may have been, the present generation of the diplomatic breed is in no respect their inferior.

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[25] Far Eastern Policy of the United States—Griswold (1938), p. 306.

[26] Ibid., pp. 314-15.

[27] Ibid., p. 319.

[28] Ibid., p. 331.

AMERICAN DIPLOMACY ON THE WORLD STAGE

Going on to the classical historian's treatment of American imperialism, the reader is not at all conscious of any change in the intellectual environment or deeper penetration into the hidden mysteries of diplomacy. The passage from the minutiae to the general is on the same plane, with the further addition of surrounding circumstances in the life of the nation which the specialist feels he must leave to other hands.

To Beard American imperialism is but the continuance of that Manifest Destiny which pushed the frontier across the Mississippi, over the Rockies, down to the Rio Grande, and finally across the Pacific to bring first the Hawaiian Islands and then the Philippines under our domination.[30] This flippant attempt to coalesce two different periods of our history under the same general explanation may meet the requirements of the intelligentsia but hardly that of the historical scientist. The Manifest Destiny of the Heroic Period of our history with Clay, Calhoun, Webster and Marshall bears not the slightest resemblance to the expansion impulses of the day when the continental frontiers had been rounded and filled, and billion-dollar corporations were in the offing. It is one thing to strive for natural frontiers—that immemorial, inchoate groping of a people toward an essential outlet or for a protective frontier barrier, or for the control of waterways essential to the national defense; it is a far different matter in the history of a nation when those frontiers are extended to within the range of roving battleships re-inforced by air power and land troops.

Under the existing organization of the world structure one need not be an imperialist to demand American control of the Caribbean and the defense of the approaches to the Panama Canal. Nor should the United States be expected to view with equanimity the establishment in the Western Hemisphere of strong naval and air bases of any non-American power, whether that be England, Germany,

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[29] American Foreign Policy—Latane, pp. 597-606.

[30] Rise of American Civilization—Beard, Vol. II, pp. 355, 362, 373.

Japan, or any other power. Mere expansion is not imperialism in itself, though such expansion if accompanied by the desire to subject other peoples to American economic and political exploitation would constitute modern imperialism.

Thus when Beard charges imperialist designs to Seward because he desired to strengthen our defenses in the West Indies and reached out to purchase Alaska, he is confusing legitimate national objectives of a definite historical period with an imperialism totally foreign to the America of Lincoln's time. During the Civil War it was demonstrated that the fleet required coaling stations in the Antilles suitable for the effective patrol of contingent waters.[31] As for Alaska, the United States followed a sound instinct in eliminating Russia as another possible troublesome factor in New World affairs.

Besides, Alaska was not altogether the unknown frozen vastness that historians make it appear to the Americans of that day. In this connection a curious bit of what appears to be authentic history was published recently in the New York Times. It seems that after the failure of Cyrus W. Field's cable to Europe in 1856 and his five subsequent attempts during the following two years which all ended in disaster, the Western Union Telegraph Company conceived of an overland telegraph route to Europe by way of British Columbia, Alaska and Siberia, with only the narrow Behring Strait to be spanned by a cable. After completing necessary diplomatic arrangements the Western Union actually sent out twenty-four vessels from San Francisco in July 1865, laden with poles, wires and necessary equipment for this vast undertaking.

Work was in progress along the sixteen thousand mile route when word was received in 1867 that a successful cable had at last been strung between Ireland and Newfoundland. This caused the abandonment of the overland project together with the enormous material accumulated for its completion, some of which is found in the surveyed area to this day.

The writer of this article complains that Uncle Sam paid two cents an acre for the Alaskan territory which a private enterprise brought to the attention of the nation while "not two cents worth of mention do our history books record of the enterprise or the men who at bottom were responsible a priori for the purchase of Alaska." [32] We hope this modest reference will in some small measure make atonement for previous neglect. Informative though that article be, if accurate, no historian need make radical changes in his former analysis of motivating national impulses despite the foresight and daring of private enterprise.

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[31] American Foreign Policy—Latane, p. 418.

[32] W. H. Deppermann in the New York Times, Dec. 24, 1939.

HISTORICAL BASES OF OUR FOREIGN POLICIES

Beard traces the resurgence of the Monroe Doctrine after it had fallen into a period of disrepute[33] when Venezuela appealed for our protection against the designs of Great Britain upon her territory, and of the bumptious reply by Secretary Olney that America's isolation combined with our resources made us the master of the Western Hemisphere;[34] of the bitter struggle between Hearst and Pulitzer for supremacy in the field of yellow journalism which were among the powerful contributory factors in the involvement of the United States in war with Spain; of how President McKinley in a paroxysm of religious beatitude sank on his knees in prayer, and after the light of the holy spirit had entered his soul announced that henceforth the Philippine Islands were to be annexed by the United States, and the Filipinos were to be educated and civilized even if it required all the lethal weapons of our armed forces to carry out this exalted Christian resolve.[35]

As to Cuba, even Jefferson had long ago consigned her to American arms, when in the capacity of Elder Statesman he was consulted by Monroe upon what course to pursue in the event that England should grasp the gem of the Antilles from the palsied hand of Spain. Jefferson coolly replied, let England have it, and we will take it from her upon the first favorable opportunity when she is otherwise engaged.[36] Cuba had long been included within the sphere of Manifest Destiny in the classic conception of the term, though Southern statesmen were primarily concerned about extending their "peculiar institution" than about grandiose schemes of empire in accordance with the mysterious World Spirit.

Of course, Beard would not run true to form if he did not recite the whole catalogue of economic factors, the sugar investments, the banking interests, and the entire complex of commercial ties that entered into bringing Cuba within the orbit of our imperial domain. Schlesinger too, not to be out of step with the modern trend in historical analysis, adds his name among the subscribers to the economic determination of American foreign policy, and that the Monroe Doctrine has simply become a rhetorical covering for the protection of American business interests in the New World.[37]

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[33] American Foreign Policy—Latane, p. 479.

[34] Rise of American Civilization—Beard, Vol. II, p. 366.

[35] Ibid., p. 376.

[36] American Foreign Policy—Latane, p. 288.

PSYCHOANALYSIS APPLIED TO AMERICAN IMPERIALISM

Nichols is victim of a trend which is already passe. In the drawing room parlance of the mediocrity of a former decade, he had gone psychological. The American people, according to this writer embraced imperialism in order to escape the weight of boredom with matters mundane. People were eager for post-panic emotional outlets after the experiences of 1893-7,[38] and so took to the Spanish War as a duck takes to water, or as the cognoscenti take to self-analysis. Expansion and imperialism to them are synonymous.

Alaska, as the actual facts demonstrate, was foisted upon us after negotiations for its transfer had lapsed from 1854, when they had first begun, and were suddenly consummated over-night after Russia had attended to a few mysterious gratuities.[39] Latane gives all the matter-of-fact, if gruesome details, from which Nichols refrains, stating names and giving figures as to the sums received from Russian sources for greasing the enacting legislation through the Congressional mill.[40]

Nichols follows the classic lines of the historian who has nothing new to add except furbishing up the familiar story of American expansion in Hawaii and the assertion of a benevolent protectorate over Latin-America in the case of Venezuela [41] through the application of that remarkably elastic Monroe Doctrine which can be made to cover any conceivable situation, no matter how contradictory, and still appear to be consistent with itself.

This remarkably flexible doctrine which in our foreign relations has become, in the sonorous language of Senator Lodge, "the Palladium of the Republic," [42] was the instrument by which we preserved the territorial integrity of Venezuela from the aggressive designs of both England and Germany. Such is the prideful boast of Wilson's nemesis in the Senate. Yet he does not pretend that the Monroe Doctrine was intended to preserve for eternity the existing boundaries of the Latin American Republics. No one knew better than he how the United States shifted boundaries around for its own advantage in Panama, how we reduced the whole of Central America to vassalage, took over the actual sovereignty of Cuba while giving it a shadowy independence, and barged into Haiti and Santo Domingo at the first opportune occasion.

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[37] New Viewpoints in American History—Schlesinger, p. 260.

[38] Growth of American Democracy—Nichols, pp. 474-5.

[39] Ibid., p. 469.

[40] American Foreign Policy—Latane, pp. 422-4.

[41] Last Quarter Century in the United States—E. B. Andrews, Vol. II, p. 317.

[42] The Senate and the League of Nations—Lodge (1925), p. 233.

This expansionist freely admits that "boundaries have been changed among American states since the Monroe Doctrine was enunciated. That is not the kernel of the doctrine. The real essence of that doctrine is that American questions shall be settled by Americans alone; that the Americas shall be separated from Europe and from their interference in purely American questions." [43]

Yet we have it on the authority of former President Hoover's spokesman that the Hoover Administration's conception of the Monroe Doctrine "was to help and encourage the Latin-American countries in their efforts to achieve autonomy, independence and stability." [44] To give countenance to that program he withdrew the marines from Nicaragua and Haiti,[45] without however removing the pall of Yankeeism that hangs over the entire area of the Caribbean.

F. D. Roosevelt in 1940 gave another twist to the Monroe Doctrine by calling into conference at Havana all the American Republics with the purpose in view of organizing a gigantic cartel for American control of their entire foreign trade in an effort to resist Nazi economic and political penetration into the Western Hemisphere. For reasons which will be given in the concluding part of this work, this conference must fail of its objective unless the Latin-American Republics are prepared to accept the status of semi-colonies of the United States. This they will never do.

Senator Lodge spoke glibly of American questions being settled by Americans alone. A great deal depends upon what one means by American questions. Europe and South America complement each other economically while North and South America are competitors in certain agricultural staples. It is possible to maintain political independence so long as trade is carried on in the best market. It is impossible for South America to remain free while subjecting its economy to the control of a New World cartel dominated, as it must be, by the United States.[46] The conference will pass numerous platitudinous resolutions and adopt impractical programs, and then evaporate into nothingness.

Imperialism is a force too vital in modern capitalism to be exorcised by the well wishes of Roosevelt, or to have been brought into existence originally as an integral part of American economic life by the malevolent designs of Hearst and Pulitzer at the close of the nineteenth century, as the classical historians would have it.[47]

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[43] Senate and the League of Nations—Lodge, p. 232.

[44] Foreign Policies of Herbert Hoover—Myers (1940), p. 53.

[45] Ibid., p. 47.

[46] Above was written July 12, 1940, before the meeting of the Conference at Havana some ten days later.

THE RADICAL SCHOOL ON AMERICAN IMPERIALISM

Hacker properly draws a fundamental distinction between modern imperialism and mere territorial expansion. He contends that there is only a superficial resemblance between the two. It is not merely the taking of a foreign territory under control that constitutes imperialism in the modern sense; everything depends upon the reasons which impelled that expansion and the uses to which the acquired territory is put, together with the status of its people, that differentiates the colonialism of the sixteenth, the seventeenth and eighteenth centuries, from the species of imperialism that began to develop during the second half of the nineteenth century.

"Imperialism," wrote Lenin, who is one of the profoundest students of the subject, "is capitalism in that stage of development in which the domination of monopolies and finance capital has taken shape; in which the export of capital has acquired pronounced importance; in which the division of the world by the international trusts has begun; and in which the partition of all the territory of the earth by the greatest capitalist countries has been completed." [48] Lenin enumerates five essential features of modern imperialism, the imperialism which now has the world in its grasp and has been responsible for two World Wars in the twentieth century. They are, first the concentration of production and capital; second the merging of bank capital with industrial capital as the basis of finance capital; third, the export of capital as distinguished from the export of commodities, which is a development of the profoundest political importance; fourth, the formation of international cartels for the economic exploitation of the world; fifth, the territorial division of the world for the exploitation of the indigenous resources and its people.[49]

It is unfortunate that the revolutionary background of the author of this thesis has blinded the intellectual world to its basic merit in the analysis of the most powerful economic and political forces of our time. Fortunately, Hacker and Kendrick were not bound by the prejudices of the intelligentsia, and felt free to apply these criteria in the analysis of the role of the United States on the world stage.[50]

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[47] Growth of American Democracy—Nichols, pp. 476-7.

[48] Imperialism—The Highest Stage of Capitalism—Lenin, p. 81.

[49] Ibid., p. 81.

THE IMPERIAL NATURE OF CONTINENTAL UNITED STATES

In the first place, continental United States is very much of an empire in its own right. Outside of a very few of the basic materials necessary for a modern civilization, it can rely exclusively upon its own illimitable resources. The fact is that within our geographical limits we have the territorial divisions of economic imperialism.

The great Mississippi agrarian basin served in the past as the source of supply for the industrial East, exchanging its products of the soil for manufactures and being heartlessly exploited in the bargain due to the external tariff wall and internal free trade. The great Far West absorbed the speculative capital of the country in railroads and mining ventures, and more recently in oil, while the South was long a conquered province awaiting the time when Northern capital felt free to exploit its substantially virgin resources. While this description of the respective roles played by the various sections within our own country bear a striking resemblance to the functions of the various parts of the British Empire, in its relation to England, such as Canada, South Africa, Australia, North Ireland, India and the out-and-out colonies, nevertheless there are left our fundamental differences which destroy the glittering application of analogies between the American and the British empires.

It makes all the difference in the world whether the various segments of empire are closely knitted under one general constitutional form with political power distributed in accordance with a definite plan, as is the American Commonwealth, or where despite the glowing equalitarian phraseology of the British Commonwealth the entire structure is controlled with an iron hand underneath the silk glove from London, and the parts are interdigitated in accordance with the interests of the dominant British ruling class.

The continental sections of the United States, it is true, have long been tributary to the dominant East, but it has been an economic hegemony only, though knitted by the practical operation of political forms of organization. At any time the South and West could have pooled their resources and obtained control of the government peaceably and sometimes they did; whereas the British Empire is still ruled in essence by the Parliament of Britain in the interests of its dominant class.

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[50] The United States Since 1865—Hacker and Kendrick, Chapter XIX.

ESSENTIAL FEATURES OF MODERN IMPERIALISM

The essence of modern imperialism is the export of capital, principally in the form of railroad financing and the industrial means of production—employing the latter term to include the vast plantation economy in basic materials such as rubber and cotton, as well as mining and oil production characterized by the import of raw materials, the export of finished products of all sorts, and the import of tribute by way of various money claims.

The enormous outlay of fixed capital required in those lines make it imperative that the investing nation establish safeguards for their capital. These safeguards take many political forms outside of direct annexation, such as the erection of puppet states, the direct control over native governments while maintaining a show of independence, the establishment of spheres of influence within a sovereign country, and finally such a close affiliation between capital investments and political favors extended by the recipient as to bring the latter within the sphere of political control by the investing nation. This has been the dominant characteristic of the relations between Latin America with England, Germany and the United States.

From every indices vital to capitalist economy in its modern stages, the United States up to the outbreak of the First World War in 1914 was economically a semi-colony of Europe. We were a debtor nation, and to a diminishing extent importers of foreign capital for the building of railroads and investment in basic industries.

Between 1896 and 1914 we imported two billion dollars of additional European capital. During the same period we paid out in interest on the foreign capital already invested here three billion eight hundred million dollars.[51] At the turn of the century foreign capital investments in America amounted to $3,300,000,000, a sum which had increased to $4,500,000,000 at the outbreak of the First World War.[52] Naturally investments were being amortized and the principal sums reduced.

Whatever capital surpluses we had were ploughed back into the development of our own country, and our comparatively small foreign investments were concentrated in Cuba, Mexico and Canada right under our very noses and within our economic domain. American capital felt much more secure when invested domestically, while the tremendous growth of the automobile industry, the oil industry and the electrical industries presented ample scope for its profitable

[51] Economic Tendencies in the United States—Mills, p. 165.

[52] The United States Since 1865—Hacker and Kendrick, p. 675.

employment in the world's greatest consumer market under its own political control.

What the United States experienced in 1898 on the field of international power politics and during the following years was not imperialism on the scale and in the manner demanded by monopoly-finance capital, but rather territorial expansion without much political significance according to the standards of twentieth century imperialism, except in the Caribbean region.

We obtained colonies because it flattered the ego of certain politicians who could parade as statesmen evolving grandiose schemes of empire in the fashion of the period. Actually, there was not a colony collected by the United States which was essential to its existence. Their products were not of a character without which our economy could not function. To this day we do not possess a single rubber-producing colony, though Liberia is under our influence, as it has been for over a century. Now this basic material can be produced synthetically in this country. "It may be said that while European imperialism was coming to flower in the crowded years 1900-1914," wrote Hacker, "the United States was in reality engaged in territorial expansion simply. Roosevelt and his friends thought we were following in the footsteps of the England of the twentieth century; before we were finished, however, it was to be seen that it was the England of the eighteenth century that was our model." [53]

This distinction is somewhat overdrawn. We carried on a trade with those colonies, but its total amount was insignificant to our economy, and the effort was really not worth the candle. Our domestic resources were so enormous that there was nothing we could get from those colonies whose stoppage would derange our economic life, while our immediate market overwhelmed the foreign into an insignificant factor as regards the totality of commodities exchanged.

ANOMALOUS POSITION OF AMERICAN IMPERIALISM

For this reason the American people can look forward with perfect equanimity to the day when we shall divest ourselves of all responsibility for the Philippines. It cost the United States one hundred and seventy-five million dollars besides the lives of four thousand three hundred of our soldiers to suppress the Filipino insurrections and bring the blessings of civilization to them at the point of the bayonet.

This archipelago was to be the means of our keeping open the door to China, long a concern of American merchant capital from the days of the Yankee clipper ships. That pathway of trade might be closed to us by the active imperialist policy of Germany in the 1890's.[54] The American textile industry looked with concern upon the possibilities inherent in the North China and Manchuria markets with their teeming millions and the danger of this prospective trade being engrossed by Russian and German imperialism.[55] The political ideology of the day was still wrapped up in the requirements of the merchant capital of a long since passed economic phase of our development. The Open Door to China means very little to us to-day, as do the Philippines for keeping that gateway open. If we assert certain interests in the Far East, it is chiefly to stalemate Japan in the Pacific Ocean, where we possess a legitimate, and for us, a paramount concern in view of existing international affairs.

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[53] The United States Since 1865—Hacker and Kendrick, p. 359.

For 1929-30 the per capita trade with the Philippine Islands amounted to $17 for each Filipino and $584 for each Hawaiian.[56] The per capita figure is of little significance outside of showing how slightly American capital was interested in developing the Philippine market. Besides, Philippine vegetable oils, sugar, and the human crop for labor was in competition with those of the American market. An expert figured out that the gain actually accruing to American citizens from the Philippine trade was less than ten million dollars a year, while the costs entailed for their government and extension of military and naval protection was many times the sum total of the profits made from trade.[57]

Under these circumstances the pressure of domestic sugar interests coupled with the benign sanction of organized labor pushed through Congress a measure under whose provisions the Filipinos were to set up an autonomous government, with complete independence by 1946.

The American people did not greet this historic measure with any exuberant manifestations of approval upon this realization of American destiny in bringing self-government to one of the peoples of the earth. Their prevailing sentiment, outside of almost perfect indifference to the ultimate fate of the Filipinos themselves with Japan in the offing, was that we were divesting ourselves of a burden dangerous to our peace, and let the future of the Philippine Islands be in the lap of the gods rather than in our own.

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[54] Far Eastern Policy of the United States—Griswold (1938), p. 31.

[55] Ibid., p. 60.

[56] The United States Since 1865—Hasker and Kendrick, p. 365.

[57] America in Midpassage—Beard, p. 397.

If the United States does not do the same to Hawaii, Porto Rico, and Cuba—though nominally the latter is free from our control since the Platt Amendment under whose terms we reserved the right to intervene in its internal affairs has been repealed[58]—it is only because they are considered vital outposts to our national defense rather than as essential to our national economy. It is safe to assert that were these islands not so strategically located the American people would soon lose what little interest they now entertain for their welfare in accordance with the inspiring philosophy of Kipling's white man's burden and McKinley's fanciful visions while lost in prayer.

BUNGLING TACTICS OF OUR DIPLOMATS

Imperialism never took a firm hold on our people because it was never essential to American welfare. It was a game that we took up when it was considered the stylish thing for an aspiring World Power to do, and when after the Versailles Treaty the United States was beckoned to extend its financial resources to the world, neither our bankers nor our statesmen were sufficiently initiated in the tactics of modern imperialism to prevent the loss of the greater portion of the billions which they threw with a lavish hand to Europe and South America, with the blessing of all good Americans.

The modern imperialist process, Beard says, began in the sixteenth century in an age of wooden ships.[59] The great historian was as deficient in his theory, as our modern merchants in capital proved to be in their practice. There is no relationship except in name between the imperialism of goods and spices, and the export of capital. The British bankers who were experienced hands at that game seldom made a loan without sufficient guarantees, usually in political and economic concessions and supervision of expenditures.

Our bankers by 1930 had exported $15,500,000,000 in private loans and investments abroad, much of it to our own competitors in Europe, and a great deal to South America, to Asia, in fact to every corner of the globe irrespective of American economic and political interests.[60] To this sum must be added the $11,000,000,000 debt owed to the United States by the Allied Governments. After the debacle of 1929-1933 a Senate investigation committee uncovered some of the incomprehensible mass of ignorance, stupidity and duplicity that paraded as profound banking wisdom.

[58] America in Midpassage—Beard, p. 470.

[59] Ibid., p. 447.

[60] The United States Since 1865—Hacker and Kendrick, pp. 676-7.

With us imperialism was a disease; with England it was a science. If British capital went into the gold mines of the Rand, for example, they first made sure of the political control of the country, and the establishment of a social system which would secure for them an unlimited supply of ridiculously cheap native labor, so that the low grade mines of South Africa could more than hold their own against richer fields in the United States, but uneconomical to exploit because of our living standards.[61] If British money was advanced for a railroad, investigation was first undertaken to determine whether the line would pay in traffic, or if not, whether the larger aspects of imperial policy, namely the cementing of political domination, would in the end warrant the investment.[62]

Our bankers simply poured the money out, and in some instances, it was proved that they bribed the heads of Latin-American Republics for the privilege of floating bond issues in the American market solely so that they could enjoy the benefit of the spread, or the difference between what they turned over to the borrower and for what they sold the bonds to the American investor. Beard's studies in this connection form an absorbing record in his most recent work.[63] No better proof could be adduced than is contained in those pages that the methods and practices of modern imperialism are yet unknown to what he grandiloquently describes as Imperial America.

HOOVER, THE BEWILDERED STATESMAN

President Hoover's formal apology for the financial debacle following America's splurge in what is called imperialism by the undiscriminating, is devoted to exculpating himself through the questionable process of placing the responsibility on his chiefs, Harding and Coolidge, in whose Cabinets he served as Secretary of Commerce. Many memories are not so short as to forget the preponderant role then played in the business of the country by this stodgy engineer who was to establish perpetual prosperity for the American people. Hoover cannot now be heard to plead avoidance of the consequences following the crash of 1929 by shifting the blame on the men whom he served in a confidential capacity.

He does so through the medium of a sort of literary executor who points to a memorandum Hoover prepared on the subject of foreign loans for Secretary of State Hughes in 1922 in which he insisted on certain standards being maintained for foreign loans. "The standards upon which he insisted," writes Myers, "were that all American capital sent abroad should be invested in reproductive works and not used for the balancing of budgets or military or other wasteful expenditures; that by reproductive use of these loans they would create wealth out of which they could be repaid; and that otherwise it was a destruction of capital and might result in great losses." [64]

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[61] New Map of Africa—Gibbons (1916), p. 60.

[62] Ibid., p. 208.

[63] America in Midpassage—Beard, pp. 72-80, 158-196.

This memorandum appears too much like the prepared alibi of an uneasy conscience against the day of judgment. The role of Hoover as the all-wise economic statesman during the hectic 1920's is too fresh to allow him, through this fortuitous bit of evidence, to evade his share of responsibility for the squandering of American wealth in foreign lands. Between 1922 and 1931 Hoover made some public pronouncements to the same effect, obviously for the purpose of the formal record.

Myers states that no man has ever occupied the Presidency who possessed as wide and intimate an acquaintance with foreign peoples, their problems and their governments.[65] All the more reason why Hoover should be severely censured for not having adopted a firmer public attitude against the pursuit of a program which contributed so much to the American disaster of the 1930's.

Hoover above other men in places of grave responsibility knew, or should have known, of the practical details of British, German, French and Czarist Russian imperialism. He must have known that the American people were never imperialistically minded to the extent of sanctioning the approved, time-honored imperialistic methods so violative of the fundamental principles of our democracy. But the practical-minded engineer was also a practical-minded politician. His public honors were highly paid for by the treasure of the American people.

A MARXIAN INTERPRETATION OF AMERICAN POLICY

Corey's discussion of the dynamics of imperialism is applicable to the world scene as it developed from 1880 to 1930, but there are particular points that require clarification concerning the role of the United States on the world stage. He divides American imperialism into inner, as it applied to our own continental domains, and outer as it affected our relations with the rest of the world.[66]

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[64] Foreign Policies of Herbert Hoover—Myers (1940), p. 190.

[65] Foreign Policies of Herbert Hoover—Myers, p. vi.

Analogies, we have often pointed out, while excellent as rhetorical flourishes, are the worst possible means of establishing the validity of a scientific proposition. Corey compares the role played by our highly industrialized Northeastern States in relation to the Western regions of our country with that of Northwestern Europe capitalism in relation to the vast world areas which it exploited. Now the point would not be worth while stressing if it were only for the sake of academic exactness.

There is a vital element here involved which totally differentiates American imperialism, either "inner" or "outer," with that of European imperialism. We have often referred to the West and South as colonies of American industrial capitalism from the economic standpoint. But there was one essential difference which thoroughly destroys the rigid application of this rhetorical analogy. The so-called colonial sections were an integral part of the common government, governed by the same laws, and due to the peculiar forms of our constitutional organization, possessed an actual, effective political power which transcended that of the industrial Northeast. The State of Nevada or the State of Arkansas stand on exactly the same footing with the State of New York in their relative strength in the United States Senate, without whose sanction no law can be passed.

If the rich industrial areas effectively dominated the policies of government during the greater part of the fifty year span between 1880-1930, it was not due to the employment of the characteristic methods of imperialism. Rather such power was dependent wholly upon the employment of more subtle and delicate means, in the creation of a political preponderance so delicately balanced that it could be decisively destroyed in from two to four years by factors beyond the control of the so-called imperial power. The British power in India or Australia, the French power in North Africa or Indo-China, in its prime, was founded on a much more substantial basis, and necessarily so, or it could never have survived. The "inner" American imperialism, outside of a figure of speech, could not withstand the cold analysis of reason.

By the same token, there is a fatal flaw in the argument of "outer" American imperialism as the bulwark of American capitalism, and as indicating both its highest development and decline.[67] That follows from Corey's didactic acceptance of the Lenin formula, dutifully and uncritically, but therefore wholly unscientific in its practical application to the American milieu. The establishment of political domination over the spheres of imperialistic influence is an essential element of the modern process. Without that the cycle is incomplete. Without that the United States in its relation to the recipients of its capital stands only in the position of a creditor anxiously awaiting re-payment, or of an industrial investor subject to all the political vicissitudes and the restrictions imposed by the indigenous national-sovereignty.

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[66] The Decline of American Imperialism—Corey, pp. 421-2.

Corey presents a chart showing the geographical distribution of American foreign investments under the general heading of our colonial empire.[68] In this empire he includes Cuba, the Caribbeans, Central America, South America and Liberia. By no stretch of the English language as employed by a critical historian can they all be called colonies of the United States.

The essence of the imperial relationship is that measure of effective political control necessary for the protection of its investments. He admits that in 1933 $1,400,000,000 of Latin-American government bonds were in default, or 60% of the total.[69] The United States did not send battleships in an effort to enforce payment of its portion, or install marines to make collections at strategic ports. Subsequent events have demonstrated that the days of dollar diplomacy are over.

Our government would not dare, even if it had the will, to interfere in the internal politics of its debtors because it knows that there is lacking support for such strong measures on the home front. Naturally it wants to collect. It has even organized a bondholders protective association for the benefit of American investors; but that is as far as it will go or can go to-day—or the decade after.

NECESSARY ADJUSTMENTS BETWEEN DOMESTIC ECONOMY AND AN IMPERIAL POLICY

Among the decisive factors which inhibited the full flowering of American imperialism on the European pattern is the fact that our economy could not adjust itself to a perpetual "unfavorable" balance of trade, as the expression goes; i.e., to an excess of imports over exports. In Britain before the First World War, the net profit on the export of goods was only 35,000,000 pounds, while the income from foreign investments was 155,000,000 pounds.[70] This reflected itself in a condition where that prize misnomer, the unfavorable balance of trade, was consistently against Britain. Despite the theories of our staid economists who fall in worship before the Adam Smith shibboleth of the favorable balance of trade, England thrived mightily in the face of that alleged economic tragedy. It is one of the necessities imposed by the imperial status that the dominant power be the recipient of income from its tributaries, which proves itself in a chronic excess of imports over exports. That was consistently the case with Britain since 1900.

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[67] Decline of American Capitalism—Corey, p. 450.

[68] Ibid., p. 441.

[69] Ibid., p. 435.

As for the United States, by 1930 the income derived from foreign investments amounted to $1,000,000,000, while the net profits from foreign trade had already fallen behind to only $750,000,000. We had claims upon the rest of the world for which settlement had to be made either in products or in cash.

There arose because of this one of the severest problems for the internal American economy which it has not, and cannot solve. Despite our powerfully developed finance capital interests, productive capital and its satellites still maintain the ascendancy in our political life. During that period a fierce debate arose concerning the methods of effecting the balance of international payments. Strong finance capital influences, led by the New York Times, fought for a reduction of our tariff walls in order to allow debtor nations to settle their balances by exports to our markets. This productive capital resolutely opposed. And so did its ally, organized labor.

When it came down to specific cases of commodity imports upon which tariff restrictions were to be removed the producers of those particular products put in a determined and vociferous opposition to such competition. In that they were fully supported by the representatives of American labor. The editorial pages of the Times were filled with indignant protests concerning this short-sighted policy in view of America's position as a creditor nation, and they asked quite reasonably how debtors could pay if we refused to accept their goods, and besides competed with them on the world markets when they strove to sell those products elsewhere to meet our demands for payment in cash. The American producer supported by their labor, asked just as reasonably, of what use would it be to the United states to accept these payments in goods, if that was to be obtained at the sacrifice of the domestic or foreign market, with the inevitable reverberations upon our economy in bankruptcy, unemployment and chaos?

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[70] Decline of American Capitalism—Corey, p. 448.

STRUGGLE BETWEEN FINANCE CAPITAL AND PRODUCTIVE CAPITAL

Some problems are insoluble not because the contending factions are unreasonable, but because their respective positions are predicated upon an unbridgeable gulf arising out of the processes of capitalist economy itself. The intelligentsia may spoof about the obfuscations of Hegelian dialectics, which it never understood, but the struggle presented here between finance capital clamoring for payment, and productive capital equally insistent upon their necessity to produce or go under presents a concrete problem whose presentation would have taxed even the synthetic dialectical genius of Marx.

That this problem of debtor-creditor relations was a sternly practical one was evidenced by the concrete steps Hoover's Administration evolved to meet that part of it arising out of the First World War commitments in co-operation with the great nations of the world. The result of their collective efforts was the organization of the Bank for International Settlements for the handling of German reparation payments in accordance with the agreements arrived at under the Young Plan. Its purpose was to administer the reparations from Germany to the Allies and so enable our European World War debtors to meet their obligations to us.

According to this plan the bank was to administer these exchanges over a period of fifty-nine years. Its founders entertained the hope that meanwhile a system of collective banking on a world scale for the great national central banks could be gradually developed, thereby insuring that the co-operative intelligence of the best brains in the world of finance and credit would be directed toward the settlement of this aggravating problem.[71]

This is not the place to discuss the reasons for the ghastly failure of this particular plan. Its general causes lie deeply imbedded in the essence of capitalist economy which is organized on the basis of the national state, and can exist only on that basis, while its internal laws of motion compel it to overleap national barriers and to operate on the world sphere.

The only internationalism it can countenance are those agreements based on temporary convenience, to be dissolved when the particular reasons that brought it into existence are no longer effective. The League of Nations, the World Court, the countless pacts, alliances and ententes must fail, because it is an attempt to reconcile irreconcilables—capitalism based on the national state in a world structure where that form of state organization has become an obstacle to further social progress.

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[71] Economic Foundations of Business—Spahr, Vol. I, pp. 579-83.

IMPERIALISM WAS NEVER VITAL TO AMERICAN ECONOMY

American adventures in imperialism were never vital to our existence, as it was to England, Germany, Japan and Italy as constituted on their present economic basis. It is reasonable to assume that if our investors abroad could relieve themselves of their commitments, the great majority would embrace the opportunity with avidity.

Chronic world depression, the autarchy policies adopted by the great powers and the would-be greats, write-downs and liquidations have reduced enormously our holdings abroad. As to the debts due from foreign governments the entire principal sum of eleven billion dollars which with interest amounts now to over fourteen billions,[72] can be written off. A small part of that sum due from Finland has been regularly serviced, but the impression persists that it has been used as a bait for other favors, and will follow the rest into the limbo of forgotten obligations.

As to private investments, the amount has receded from the high water mark of $18,000,000,000 in 1932 [73] to $13,500,000,000 on Jan. 1, 1940.[74] Of this sum eight billion dollars are represented by investments in Canada and Latin-America, about equally divided; Europe has over two billions, while the entire Far East, including the Philippine Islands, China and Japan hold less than one billion of American capital. Excepting the Philippines, the United States holds no paramount political power in any of these territories, while even there, that power is rather uncertain, and in any event will be relinquished formally in 1946. American economy was never geared to the requirements of a fully developed imperialism.

As far as the United States is concerned, the balance of power in our internal economy was such that while we demanded payment from our foreign debtors we could not accept competitive products, and at the same time we competed with these debtors on the world markets for the gold which we demanded in settlement of their obligations. From the standpoint of finance capital, we should have done what England had been accustomed to doing—importing more than we exported; but from the standpoint of productive capital,

[72] Treasury Department Statement, in New York Times, Nov. 12, 1939.

[73] Decline of American Capitalism—Corey, p. 441.

[74] Department of Commerce Statement in New York Times, July 15, 1940.

which includes agriculture, we had to maintain high tariff walls, while struggling determinedly for our share of world trade.

The practical upshot of the entire situation was that private debtors defaulted, while the Allies maneuvered the United States into the position where the collection of our debts was to all intent and purposes made dependent upon the payment of reparations by Germany. To the defeated nation of the First World War the contention was advanced by the so-called victors that these reparations were really going to the United States in settlement of their war debts. Thus the cancellation of Germany's reparations was made dependent upon our cancellation of those Allied debts, and again Uncle Sam was portrayed in the role of Uncle Shylock.

THE BLUNDER OF TYING ALLIED DEBTS TO GERMAN REPARATIONS

President Hoover had blundered into an impossible situation, and subsequently it required the direct tactics of Hitler to resolve the issue. In vain Hoover protested to France's Premier Laval upon the occasion of his visit to this country for conferences in 1931 that war debts due from the Allies and reparations from Germany to the Allies were two separate and distinct things, differing widely in their origins, and contractually recognized by agreements bearing no organic relation to one another. Reparations from Germany to the Allies, of which we wanted no part, were based upon the defeat of 1918 and the terms of Versailles; the Allied war debt agreements with the United States were made long after by negotiations conducted separately between the United States and its debtors. At the very time when Laval pleaded France's inability to pay, she had six hundred million dollars on deposit in American banks.[75]

Hoover, our leading exponent of the importance of extending foreign trade while protecting the home market, was still determined to have our debtors pay while at the same time his policies rendered it impossible for them to do so.

The professoriate whose ideas are still based on Adam Smith, have a simple solution for the problem—universal free trade. They are unable to explain how trade, which is an exchange of equivalents unless it is based on downright cheating, can enable a debtor to hand over more than he receives unless the creditor is willing to accept less than he gives. Furthermore, they do not trouble themselves with the intricacies of an economy based upon the national state, while they chatter glibly about Leagues of Nations and World

[75] Foreign Policies of Herbert Hoover—Myers, pp. 181-2.

Courts that neither the United States nor any other nation built upon a capitalist economy can honestly accept. It is so easy for them to retire to their studies heaving sighs heavenward upon the shortsightedness of politicians, while nourishing very high opinions about their own inherent goodness in a miserable world, as well as their clear-as-crystal analysis of the situation.

THE CONSTITUTION ADAPTED TO THE IMPERIAL POLICY

Constitutional problems arising out of American imperialism inevitably came before the Supreme Court for adjudication. Does the Constitution follow the flag? What are the rights, privileges and immunities of the subject peoples? Do our institutions recognize the subject status of any people under American jurisdiction? Obviously these questions did not exist at the time of the Constitutional Convention. Yet they had to be met by the imperious requirements of the day.

For example, how were the provisions of the tariff laws to be applied to the territory acquired from Spain? Was Cuba, the Philippine Islands, Porto Rico foreign or domestic territory? The Court was compelled to meet the exigencies of a new world situation by resorting to ingenious application of well-worn principles.

Porto Rico, it was decided, ceased to be foreign territory upon its cession by Spain. However, the Constitution was an instrument of government adopted by the States for the United States and that its provisions were operative only within that portion of the territory lying within organized States.[76] It does not, for instance, apply to Territories. Therefore it does not apply to any acquired territory which is not a State within the Union. This thoroughly consistent reasoning in a situation developed out of the sparsely settled Territories within continental United States was made to apply to densely populated areas, as are some of our outlying possessions.

A wide difference of opinion existed among the judges of the Supreme Court concerning the application of our laws to these acquisitions. Territory could be acquired by the United States, and owned by the United States; but it could not be incorporated into the United States without some express act of Congress. Until Congress so legislated the new territory remained suspended politically in an intermediate zone between a foreign and a domestic status.[77] Boudin's analysis of the judicial reasoning on this unexpected development in American government is directed chiefly to the expansion of the Judicial Power which undertook to determine the intentions of Congress in matters where Congress itself did not know its own mind.

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[76] Government By Judiciary—Boudin, Vol. II, pp. 265-6.

[77] Government By Judiciary—Boudin, Vol. II, p. 267.

Congress, for example, did not put Porto Ricans and Filipinos on the same legal status. Under the provisions of the Jones Act of 1917, Porto Ricans were invested with American citizenship, though the Island had not been incorporated into the United States.[78] The Filipinos were subjects of the United States and amenable to the laws of their own government acting by leave of the paramount power. To Porto Ricans was extended almost all the civil prerogatives enjoyed by Americans, with the important limitation that they could not demand a trial by jury. Apparently the Constitution did not follow the flag, or only to the point determined by Congress, with no limitation upon its right to withdraw from the role it had assumed.

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[78] United States Since 1865—Hacker and Kendrick, pp. 368-372.

CHAPTER XX

Crisis and Collapse of Progressive American Industrialism

FINANCE CAPITALISM

DURING the course of our independent existence as a nation we have followed the state forms and the ideological repercussions of an economy based on merchant capitalism as it prevailed up to the Civil War. During the Period of Industrialization we traced the development of industrial capitalism with the powerful impulses produced by its internal laws which impelled toward centralization and the emergence of the trust. At the dawn of the twentieth century a new divergence was noted by the supporters of the good old days of individual initiative and private enterprise; namely, the rise of vast aggregations of finance capital whose seat of empire was Wall Street.

Capitalism had reached its last and determinate phase in the process of centralization. Whether one likes it or not—and most scholars, unfortunately are still governed by phrases and taboos—the day of the entrepreneur in basic industry had passed. The corporation now dominated the field, while finance capital began to dominate the corporation with the passing of the great captains of industry. Marx had succeeded in popularizing the term, concentration of capital, if only because his earliest critics, like Bohm-Bawerk and the German Revisionist School of Socialists led by Bernstein, had attempted to disprove the correctness of that theory. To-day, no responsible scholar would care to controvert it. But very few indeed have been able to penetrate into the significance of its complementary phase, the process of centralization of capital, the final step in capitalist development.

Our own history shows that the processes of concentration and centralization are distinct in time and in function, and that while the concentration of capital showed capitalism at the zenith of its creative powers, the centralization of capital proved American economy to be on the highroad toward stagnation, which in a dynamic world is synonymous with decay.

Concentration historically was dominant during the hegemony of industrial monopoly capital from 1880 to 1910. Centralization became the dominant factor in American economic life from 1910 to the great crash of 1929. After that year a new period opens up in American history, to whose analysis the concluding Part of this work will be devoted.

RESULTS OF THE CONCENTRATION OF INDUSTRY AND THE CENTRALIZATION OF CAPITAL

Concentration of industrial capital is typified by the trust, or by such great industrial producers as the Ford Motor, General Motor and Chrysler, which while competitors among themselves, can effectually prevent others from entering into their field because of the sheer weight of their economic resources, both productive and financial. Such vast combinations are effected by the expropriation of the small producer who finds it impossible to compete, and is either bought out or fades out of the picture.[1] This process is simple enough, and even anti-Marxists are compelled to admit that Marx's predictions in the 1860's are now a reality.

Centralization does not destroy existing capitals, as concentration does. On the contrary it brings already existing capitals under the control of fewer hands by centralizing it in a few banks,[2] investment trusts and fiduciary agents like insurance companies which in turn are controlled through inter-locking devices by a few great banks, or directors of these giant financial institutions.

Berle and Means have shown in their study of the modern corporation that the highest development of capitalism to-day is not in production—salaried engineers and management now attend to that—but in financial manipulation whereby a closely-knit combination of men can control a list of corporations that turn out anything from asbestos to zinc without themselves knowing whether those products belong to the vegetable or mineral kingdom, or are the free gift of nature.

We have observed that as capitalism develops, production is for general order where the turn-over of capital plays a decisive role in the determination of the rate of profit. Everybody gives credit with one hand and receives it with the other. When a break occurs in the cycle of reproduction of capital—and in modern crises the break always comes in negotiating the metamorphosis of the special commodity into its general money form at the critical point of consumer purchase—everyone runs to cover. Commodities are sacrificed for cash, and those in control of the banking mechanism finally emerge as the arbiters of capitalist economy.

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[1] Capital—Marx, Vol. I, pp. 686-8.

[2] Capital—Marx, Vol. III, p. 289.

The credit system appears to be the cause of overproduction and overspeculation in commerce, while in reality it is only a phase in a continuous cycle which must reproduce itself constantly, while the mainspring of the entire process, the desire for profit, presents the highest possible incentive for reproduction on an enlarged scale.

If the credit system over-extends itself, it is only because the manipulators of that system, the high and mighty lords of finance, operate with money which is not really their own, though they possess the legal title to it. They are the trustees of a social power without the obligation of social responsibility, and with little social control over their actions, outside of practices violative of the simple code of the common law scarcely modified by statutory enactment.

"This," says Marx, "is the abolition of the capitalist mode of production within capitalist production itself, a self-destructive contradiction, which represents on its face a mere phase of transition to a new form of production. It manifests its contradictory nature by its effects. It establishes a monopoly in certain spheres and thereby challenges the interference of the state. It reproduces a new aristocracy of finance, a new sort of parasites in the shape of promoters, speculators, and merely nominal directors; a whole system of swindling and cheating by means of corporation juggling, stock jobbing, and stock speculation. It is private production without the control of private property." [3]

The striking significance of this summation, following as it does a most exhaustive scientific analysis of the internal laws of motion of capitalist economy through some two thousand preceding pages of "Capital," consists in the fact that it was written originally in 1863-7,[4] long before the full scope of capital concentration had begun to manifest itself, and certainly before the process of centralization with its creation, finance capital, had put in its appearance in modern dress. It is greatly to be regretted that genuine scholars have looked to the propagandistic Communist Manifesto instead of to Marx's great work for the substance of his ideas.

[3] Capital—Marx, Vol. III, p. 519.

[4] Capital—Marx, Vol. III, preface by Engels, p. 11.

THE MONEY POWER IN THE CRISIS OF 1907

After the crushing defeat of Populism and the middle class radicalism in the election of 1896, the country was well set on its course to prosperity under the guiding hand of the few great men to whom in the sniffling verbiage of sycophants God in His Infinite Wisdom had entrusted the productive wealth of the nation.

It was in 1907 that the people awoke to the fact that all was not well among the mighty. Thirteen New York City banks closed their doors and the subsequent revelation of the practices resorted to by the princes of high finance gave rise to a movement for more stringent regulation of the nation's financial system.

An indirect consequence of this banker's crisis was the throwing into receivership of several railroads, while the disturbance at the heart of the industrial order had repercussions at the periphery when hundreds of thousands of workers found themselves cut off from employment, while many times that number were put on part time. Wages took a downward plunge. The politically powerful but economically weakened middle class now raised a hue and cry, and contributed much to the unrest which resulted in the struggle against stand-pattism, the defeat of the Republican Party machine as typified by Cannon in the House of Representatives, and the rise of Progressivism which Theodore Roosevelt tried vainly to harness in his efforts for a third term. In 1912 a House sub-Committee on Banking and Currency under the chairmanship of Pujo undertook to investigate the operation of what was popularly called the Money Power.

This committee obtained the services of an ambitious and highly resourceful lawyer in the person of Samuel Untermyer. After a very dramatic inquiry which held the attention of the country, the reality of such a Money Power was conclusively established. The combined resources of three organizations then working in close harmony—J. P. Morgan & Co., the National City Bank and the First National Bank totaled $632,000,000. The partners of the three banking groups held three hundred and forty-one directorships in one hundred and twelve corporations whose combined capitalization was $22,500,000,000.[5] Through the device of inter-locking directorates in other corporations this small group exercised a dominating influence over the economic life of the country which in its practical effects far transcended the political power of the state.

[5] United States Since 1865—Hacker and Kendrick, p. 405.

FUNCTION OF THE FEDERAL RESERVE SYSTEM

Yet what was to be done? Wilson's victory in the same year strengthened the hands of the reformers, and in 1913 the Federal Reserve System came into existence. Politically its purpose was to destroy the power of the Money Trust by placing the control of the credit mechanism in a government agency. Economically it was intended to prevent crises due to money stringency by establishing an elastic currency.

This was provided for by the machinery set up to rediscount valid commercial paper held by the local banks and give them in return the notes of the Federal Reserve System which to-day constitutes the backbone of the national currency. Through the medium of open-market transactions, the Federal Reserve Board could exercise a tremendous power upon the economic life of the country by the policy it adopted in taking up commercial paper. Through the rediscount rate at which the System would take up paper of the member banks, the Federal Reserve System exerted a salutary power over the practices of member banks.

This scheme was not new. It had been in effect substantially in this manner in the big central banks of Europe. But it was new to the United States. By a strange irony, its practical effect was to announce America's complete industrial capitalist maturity, and signalize the final enthronement of large-scale capital in the seat of political power as well as economic power, despite the fact that Wilson in essence represented the ideology of the small American producer.

How came about this anomalous situation? The World War created a condition that allowed the fullest play for large-scale production after the initial shock of its outbreak had passed away. Soon the United States was to be drawn into the maelstrom, where every possible inducement was held out for large-scale production and financing manipulation. The aftermath of the World War left the United States the creditor of the world together with unsurpassed productive and financial resources.

After the depression of 1921 as a consequence of the unbridled speculation during the war and after the armistice, large-scale industry, now completely dominated by finance capital, had a clear road with signals set for full speed ahead. We were to be the suppliers of the world, and tribute in the form of interest on foreign investments were to roll in with the regularity of some natural phenomena according to the tenor of the contracts. This dream ended when the debacle came in 1929.

The inevitable investigations were set in motion to discover why it all happened, but they could only establish in part what had happened. The Money Power was more real than ever. From the debris was unearthed the fact that the House of Morgan, the Chase National Bank and the National City Bank held directorships in corporations with assets of forty five billion dollars. This same oligarchy composed of one hundred and sixty seven individuals held over 2,450 inter-locking directorships in corporations with resources totalling seventy four billion dollars, or 22%, of total corporate assets.[6]

"This enormous centralization of financial control," writes Corey, "infinitely greater than that revealed in 1912 by the 'money trust' investigation, is an institutional mechanism; it operates through the banks, which are the fly-wheel of capitalist enterprise. Control of the mechanism is usurped by the financial oligarchy." [7]

Banks are really nothing more than a social system of bookkeeping, but under private control and for purposes within the purview of private interests. According to the classic laissez-faire theory, the individual in pursuing his interests best, best serves the interests of society. So it was when a shoemaker devoted himself to making shoes, while the butcher slaughtered cattle in his rear shed. Society has gone a long way since those days, and out of sheer necessity has been compelled to set up a multitude of safeguards to protect itself from the effects of unbridled individualism.

THE PREPONDERANT ROLE OF THE BANKING SYSTEM

Tinkering with the money system of the country was never the exclusive disease of the agricultural areas. Money doctors can be found lurking behind the massive portals of almost every respectable bank. While modern banks thrive upon the sale of credit, and credit is the heart of the circulation system of industrial capitalist economy, the inescapable fact still remains that the essence of capitalist economy is the production of values, and the essence of that production is profits.

When profits cease over a time, production stops. Let the discount and re-discount rates be ever so low, production will not commence unless there exists an effective market for its goods. Conversely, high rates never materially affected an enterprise when the market conditions were favorable. So Reserve member bank discount rates to customers were highest during the lush years of the 1920's, and much lower during the depression without any appreciable effect upon production one way or another; that was neither inhibited during the prosperous years, nor assisted in the melancholy aftermath of the panic.

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[6] House of Morgan—Corey, pp. 446-8.

[7] Decline of American Capitalism—Corey, p. 403.

The Federal Reserve Bank of New York, for example, dropped its rediscount rate from 6% in 1929 to only 1½% in May 1931, without any noticeable tremor of recuperation observable in the economic system. So during the same period member banks of the Federal Reserve System dropped their customer rates from a high 6.29% in November 1929 to 5.41% in February 1931 without lines forming on the right to take advantage of these favors.[8]

While credit appears to play the dominant role in capitalist economy, it only does so to facilitate the production and reproduction of commodities. These commodities are not produced merely to satisfy some human want. Whether they actually do so or not is immaterial to the producer so long as he disposes of them.

In this cycle the banking system holds a key position. But no one yet has failed to secure adequate credit accommodations on a product for which there is an effective and profitable market. The key to our economy, and to those social and political problems that loom so large in our daily lives, is in the causes which still the factory wheels, rather than from a lack of grease in the credit machinery. The modern banking system is the result of the concentration of productive capital, though in itself it produces chiefly excessive profits for its manipulators and excessive headaches for its customers.

Theoretically the credits and debits of the banking system cancel each other out, but unfortunately the process is not automatic; goods have to be sold, and any slip-up in the timing of the process must result in strain upon the customer, or if the condition becomes general, upon the entire credit system.

Capitalism is torn between two irreconcilables—the need for settlement in cash in the final resort, and the recognition that a great mass of currency is an unnecessary unproductive burden upon the economic system. Hence the banking reserves are cut down to the lowest practical minimum; [9] and yet that figure so long as it is below one hundred per cent must be the fruitful source of crisis.[10] A cash economy and the credit system are mutually contradictory. The internal opposition between money as a means of payment and money as a means of purchase which may be only money in reckoning, or money of account, is most strikingly emphasized in the development of industrial capitalism. Once the time element intervenes between the act of purchase and the act of payment at some future date, the stage is set for the banking system with its credit operations, for booms, speculations, over-extension and collapse. Thus was the stage prepared for the unfoldment of American history from the First World War up to the crisis of 1929.

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[8] Economic Foundation of Business—Spahr, Vol. I, p. 570.

[9] Principles of Economics—Seligman, p. 515.

[10] Ibid., p. 519.

PARTICIPATION IN THE FIRST WORLD WAR

America's entrance into the First World War cannot be justified by any standard that history has created during the recent centuries by which such ultimate recourse is generally defended. We have had our own struggles with Mexico and Spain by whose favorable outcome we expanded our territory over vast contiguous areas and over the seas. We have had unoffcial wars in the Caribbean area and with weak Latin-American republics.

No word of protest against these struggles has issued from our pen, because the first duty of the scientific historian is to gauge events by the circumstances of the times. We will leave to metaphysicians and to the intellectual sewing circles the problems of abstract ethics, morality and the absolute right or wrong of things. These highly virtuous personages who in their own estimation constitute the cream of the human crop, are seldom to be found participating in the struggle for a nobler conception of social justice for the countless families who live on the other side of the tracks in their villages, towns and cities.

It may appear brutal to these sensitive souls to say so, but as the world is organized to-day, a nation is justified in going to war for the protection of its own best interests. These interests must be practical and immediate. All this hair-splitting about the ultimate objectives of existence is too far-fetched for the national state as it is now constituted.

Upon the basis of the prevailing social system no nation is justified in resorting to war for the attainment of far-fetched ultimates, particularly in association with other nations whose objectives are necessarily immediate, but whose phraseology in the struggle is adapted to the exigencies of the occasion, either to winning supporters or in weakening the morale of its antagonists. Guns and phrases, poison gas and propaganda are merely variations in the national armamentarium directed for the same end—winning the war to escape the greater woe of the vanquished.

Many thoughtful Americans opposed America's entrance into the war in 1917 not because they were pro-German or even anti-Ally, but because it appeared to them that no vital American stake was involved in that struggle endangering national sovereignty, and that no useful purpose, either for the nation or the world at large, would be served by American participation and Allied victory. For that matter, neither would a German victory at that time.

But our choice was not limited as between the two alternatives. We might have stayed out, kept our powder dry and added to their quantity in order to strengthen our world position. For the same reason, knowing that the national state is the fulcrum of a capitalist economy, and surrounded by other powerful national states similarly situated, others urged the abjuration of all glittering theories of world organization for which no suitable economic basis had been prepared. Consequently they opposed the Versailles Treaty and the World Court when these were presented for the approval of the American people. For the same reason they protested against stultifying our favorable naval position by the various disarmament agreements, and such absurd vacuities as the Kellogg-Briand Pact, and the similarly innocuous Hull trade pacts.

There is not a responsible American writer on the First World War who to-day does not consider our participation as having been harmful to the best interests of the United States. They may vary from mild expressions of outraged virtue at being thus imposed upon by the champions of democracy in Europe, to vehement protest against the machinations of imperialist powers who got us to fight their battles for them at the most critical juncture of their fortunes. But whatever the point of view, all concede now that it was a most egregious mistake of national policy.

Because no real national interest was at stake, it is difficult for an historian to appraise the consequences of that struggle. These consequences are not to be measured only in blood and suffering and material treasure. They are to be weighed also by the gains or losses to the national interest.

As one of the so-called victors in the war we had nothing to show for our sacrifices, except additional losses subsequently to the Allies, who by every chicanery of diplomacy wheedled this nation out of the debts they duly recognized. Even when the final settlements were arranged by the American Debt Commission between June 1923 and May 1930 the basis of settlement was really upon the money advanced for reconstruction after the armistice, or where the rate of interest over a period of sixty two years was so low, as to virtually remit the principal sum which the United States government itself was bound to pay to the investors in the original bonds from whence came the funds advanced to the Allies.

The French settlement involving four billion dollars, for example, was settled at the rate of 1.6%,[11] while the American government itself originally paid 4½%, and currently paid around 3¼%.[12] The Italian debt of two billion dollars was actually settled at four-tenths of one per cent interest. At the end of the sixty-two years, those governments would have gotten a receipt of payment in full, while the total sums they agreed to pay would not have covered interest requirements, let alone amortization of the principal.

The Senate debates on those settlements was a liberal education in the hypocrisy of apologists in differentiating between the interest and the principal sum on what was represented to be a business transaction on the basis of contemporary business practice. Of course, we know that they reneged even on these agreements, pleading poverty while spending billions in the pursuit of their respective national imperialistic interests.

REASONS ADVANCED FOR ENTERING INTO THE CONFLICT

Concerning the reasons which impelled the United States to enter the war, the widest differences still exist as to what were the really moving factors. That of economic determinism is the shallowest, and therefore the one that commends itself best to the literati.

Our financial stake in loans to the Allies amounting to less than four billion dollars was an insignificant fragment of our immediate costs, which Nichols calculates at forty two billion dollars.[13] Even that enormous sum will be more than doubled after the last veteran's pension has been paid and the final balance is struck. The truth is that many factors combined to bring America in, and not the least was the political immaturity of the American people and the egregious egotism of its leader, President Wilson.

The most commonly accepted official reason, the one taught in our school books and repeated by erstwhile statesmen at important gatherings, is that given by Senator Barkley in his address as permanent chairman of the 1940 Democratic Party Convention. "For more than a century," he spoke in the traditional manner of the orator, "we, as a nation, have insisted on the freedom of the seas. We have insisted that our flag, and every flag has the right to sail the seas in time of war, subject to certain rights of search and seizure. We have insisted on the right of Americans to trade and travel under an international law that had been recognized for centuries. It was our insistence on the observance of these rights that finally drew us into the World War in 1917." [14]

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[11] United States Since 1865—Hacker and Kendrick, p. 605.

[12] New York Times, July 17, 1940.

[13] Growth of American Democracy—Nichols, p. 629.

Senator Barkley was quick to add that one experience in asserting universal and unalterable principles of international law was enough, and that in 1940 Congress saw the dawn of a new light and passed the Neutrality Law prohibiting American ships to sail in belligerent or dangerous waters, and American citizens to travel there. The absolute freedom of the seas was now subject to a rational limitation simply because the American people would not again countenance a Quixotic attitude on abstract international rights. Another contributing factor in getting us into the war was the subtle and unobtrusive British propaganda, coupled with unbelievably inept tactics in the same direction pursued by the Germans.[15]

THE PERSONAL DEVIL THEORY OF OUR INVOLVEMENT

One should not leave out the personal element as represented by the vagaries of President Wilson's character. There is no doubt that he had begun to entertain illusions, or delusions, of acting as the arbiter of the world which he was to set to right, after the Allies with the help of the United States were to vanquish the common enemy. Beard over-draws the picture when he charges that Wilson sought foreign complications in order to escape his domestic difficulties—political ones.[16]

Wilson's faithful secretary, Joseph P. Tumulty, pictures the President on the eve of the German capitulation. He is filled with the sense of his world-importance, of enacting a role on the stage for all mankind to see, to marvel and to applaud. In the full view of mankind he was to establish for all eternity the basis of the future world organization. During a formal address delivered at the Metropolitan Opera House Wilson postulates the world problems, which later he was to answer with his League of Nations and the World Court. These problems were: "Shall the military power of any nation or group of nations be suffered to determine the fortunes of peoples over whom they have no right to rule except the right of force? Shall strong nations be free to wrong weak nations and make them subject to their purpose and interest? Shall there be a common standard of right and privilege for all peoples and nations or shall the strong do as they will and the weak suffer without redress?" [17]

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[14] Reported in New York Times, July 17, 1940.

[15] United States Since 1865—Hacker and Kendrick, pp. 494, 505.

[16] Rise of American Civilization—Beard, Vol. II, pp. 632-3.

And so on, with heart-thumping sentences to make every editorial pen scribble faster, and every school-boy's blood course quicker and urge him to grab a gun and do battle for the salvation of the weak and the regeneration of all mankind. Any one who had taken the trouble to read Wilson's only worthwhile book—The State—would have known that he had not the slightest conception of the role of the state, nor of the economy, nor of the ideological super-structure which enter into the formation of the society of a definite historical epoch.

INEVITABLE COLLAPSE OF INTERNATIONAL GARGOYLES

In the light of our preceding analysis it is not to be wondered at that the League of Nations and the World Court failed—those particular contributions to mankind and to all posterity upon which Wilson fondly believed he was to build his enduring memory. He failed because he had no knowledge of the social forces with which he operated, and by which, in the end, he was fated to see his entire intellectual edifice topple to the ground during his own lifetime.

True, the other more practical statesmen, as they thought, gathered in Versailles were content to let Wilson have his dream so long as they got the substance of their victory embodied in the Treaty of Versailles. They, too, failed in the end because they were ignorant of the social forces that would set to naught the provisions of their peace terms, paragraph by paragraph, until another day of reckoning was to come.

Again, this appears like the wisdom of hindsight. There is nothing wrong with that kind of wisdom if ultimately it results in a little foresight. There were not lacking many in 1919 who could foresee the ultimate collapse of the entire political, economic, juridical and social structure which those brilliant world-builders were knocking together in random fashion after many fatal compromises during the course of construction.

When the statesmen at Versailles had stripped Germany of her movable wealth, the surgeons hesitated upon how far to go in their demand for reparations, limited not by their avarice, but by how

[17] Woodrow Wilson As I Know Him—Tumulty, p. 303.

much bleeding the patient could stand without expiring. Consequently the amount was left open in the original treaty.[18] In 1921 the Reparation Commission created by the Versailles Treaty went into a hypnotic seance, and upon emerging uttered the mystic numbers $33,000,000,000 as the sum Germany was called upon to pay for having lost the war. The scintillating statesmen, economists and experts of all sorts, no doubt among the most brilliant obtainable at that time, overlooked the slight detail of how Germany was to pay without access to raw materials and markets for its manufactures.

Assuming the best of intentions, which is assuming more than history allows, democratic Germany was compelled to default within a year. Then another group of experts was called in under the leadership of a great Chicago banker, Dawes—and who can be wiser than a great banker, or the head of a powerful financial institution? Another seance was held, and loans were devised to help Germany get back on its feet, so as to bleed her more upon recovery, with the new money coming in from the Allied nations meanwhile to resuscitate the expiring patient.

So long as that money came in through one door, Germany shovelled it out through another, meanwhile building up her industrial plant, and this process continued for four years more until 1928. Then hitches developed and another committee of experts headed by a leader of a great American corporation, Owen D. Young, got on the job of straightening matters out.

UNBELIEVABLE SACRIFICES OF THE YOUNG REPARATIONS PLAN

This time reparations were scaled down to around nine billion dollars, and a neat scheme was devised that after the Allies were to get their share of the annual payments disguised as reconstruction costs, the remainder was to go to the United States in settlement of the Allied war debts to this country. As the United States reduced these war debts, so the reparations paid by Germany to the Allies would be reduced.[19]

That an American President and his Cabinet would ever sanction such an agreement is the best possible proof of the woeful mediocrity of our statesmanship. But the stolid Hoover could no more match his practical wits with the nationalistic statesmen of Europe than could the more brilliant, if effervescent Wilson, who was willing to bind the United States to preserve the territorial integrity of the members of the League of Nations as set up in the Versailles Treaty,[20] while he pledged the full economic, financial and military support of this nation to resist breaches of the Covenant.[21]

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[18] American Foreign Policy—Latane, p. 624.

[19] United States Since 1865—Hacker and Kendrick, pp. 605-6.

Such was the level of historical education current among our statesmen twenty years ago, that more than three-fourths of the Senate remained ready to accept League membership, with suitable reservations.[22] The plain, common sense of the American people rejected the whole intricate scheme because of the evident pitfalls in its devious circumlocutions. They had grown up to cease wanting to be either the good Samaritan or the policeman of the world.

EFFECTS ON AGRICULTURE AND INDUSTRY

Tragic as were the political consequences of America's splurge on the international arena in the role of an avenging Archangel, the economic consequences were in the end to prove even more costly. The reckless expenditures during war times had given rise to ruthless profiteering. Labor, too, benefited from this open-handed spending, made so much simpler by the fact that only one-third of the costs of the war were being paid by present taxation, while two-thirds were saddled on future generations by means of loans.[23] Yet that money was being spent now, and enjoyed by all classes of society. For labor, the costs of living, it is true, increased from 100 in 1914 to 157 in 1918. But during the same period actual money earnings had increased to 192.[24]

In order to stimulate the production of wheat, the government agreed to buy the whole crop at a fixed price of $2.20 a bushel in 1917 and $2.26 in 1918. The result in the agricultural sections was magical. Marginal and sub-marginal land was brought into production, with the result that acreage increased in two years from 45,000,000 in 1917 to 75,000,000 in 1919, while the yield in bushels grew from 600,000,000 to 900,000,000, and the crop drew from $1,500,000,000 in 1917 to over $2,000,000,000 in 1919. Increased capital outlays on the farm were made possible by this pegging process, with the result that farm debt was to rise to enormous proportions.

Under the optimistic illusions induced by this artificial prosperity that was to last forever acreage was bought and sold at fancy prices, with part down payment and the balance on mortgage to be gradually cleared off from $2.20 wheat, with corn, cotton and hogs in proportion; for obviously if those other staple crops did not keep pace, the wheat acreage could be increased.

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[20] Covenant of League of Nations, Article Ten, in America's Part in the World War—Beamish and March, p. 338.

[21] Ibid., Art. XVI, p. 341.

[22] Growth of American Democracy—Nichols, p. 637.

[23] Growth of American Democracy—Nichols, p. 629.

[24] United States Since 1865—Hacker and Kendrick, p. 316.

After the armistice inflation had run on for about two years the plug was pulled; agricultural prices resumed their normal economic level; farmers were left with their high-priced acreage, their expensive machinery, and their heavy payment obligations; while during the depths of the depression in 1932 wheat had fallen to forty-two cents a bushel.[25]

From 1910 to 1920 the value of farm property rose 90%, while in 1933 it had fallen under that of 1910.[26] The debt burden, however, remained substantially on the inflation basis. The need for cash gave rise to the anomaly of increased production under falling prices, while the diminished foreign market caused surpluses to accumulate, and prices were further reduced. This was the farmer's treadmill during the so-called lush 1920's.[27]

THE FORGOTTEN MASSES

Yet even when all appeared to be aglow with abundant wealth and universal prosperity, the cold statistical records of the time proved that the overwhelming mass of our people lived below a fair standard of comfort and convenience. Nichols points out that the American people love statistics, especially when averaged up in a single phrase in the manner of high-pressure advertising writers. What is more eye-and-ear-filling than to be told that the total annual national income had increased since the outbreak of the war in 1917 to 1929 from 34 to 83 billions? [28]

When these figures were broken down, it was shown that during the year 1918, when wages were high and even little piggies were supposed to go to bed decked out in silk night-shirts, over ninety per cent of the families investigated in an official survey undertaken by the Bureau of Labor Statistics had a total annual income of less than two thousand dollars, which was then considered necessary for a fair standard of living.[29] In 1929, the average annual income of a worker's family—including that of his wife and children who supplemented the earnings of the one who is ironically called the bread-winner of the house—in 43% of the families, was around $1,700,[30] while the minimum standards of decent living then required an income of our $2,100.[31]

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[25] Rise of American Civilization—Beard, Vol. II, p. 725.

[26] Growth of American Democracy—Nichols, p. 669.

[27] Ibid., pp. 675-6.

[28] Ibid., p. 643.

[29] American Economic Life—Tugwell, Munro and Stryker, p. 118.

CAPITAL REAPS THE MAJOR ECONOMIC ADVANTAGES

In a very exhaustive statistical analysis of post-war economic tendencies Mills shows that from 1922 to 1929 the ratio of profits of manufacture increased from 100 to 120.5.[32] For some years previous there had been a consistent upward trend in the cost of living, and the figures show that from 1914 to 1929 the actual rise in the purchasing power of the masses was from 100 to 103, while the rise in prices was from 100 to 117; [33] though most of the items did not enter into the necessaries of life.

This proved what had long been known, that the technological advances characteristic of that period had resulted in increased production which reduced the prices per unit of a commodity. Labor was getting more material things for its money. This did result in raising the absolute standard of living. But labor did not share economically in this prosperity in proportion to its contribution. By far the larger economic gains in the development of the social productive processes went to capital. This, one might think, is none of the business of labor. If capital is acute enough to devise more effective and economical methods of production the gains should properly belong to it.

Important economic consequences followed out of that doctrine. On the basis of the capitalist relations of production, no objection can be raised by labor simply because it creates more wealth although, as a practical proposition, labor finds that an advantageous ground to base a claim to a larger material share in the larger material production. But capitalist economy is based upon the relative divisions of the total economic usufruct and not upon the material units in which it is contained.

For example, a table manufacturing enterprise making a million dollar profit on the sale of a million tables in a certain year regulates its entire internal economy on the millon dollar profit requirement for its needs. If productive processes for this particular concern are developed to the point where two million tables are produced in one year, the price can be reduced, but seldom to the point where only a million dollars in profits will be made, unless market conditions make a higher profit impossible. With more tables produced, there is an increase in material wealth, but economically the most important result is the increased profits for this manufacturing enterprise.

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[30] Decline of American Capitalism—Corey, p. 85.

[31] American Economic Life—Tugwell, Munro and Stryker, p. 115.

[32] Economic Tendencies in the United States—Mills, p. 40.

[33] Economic Tendencies in the United States—Mills, pp. 523-4.

With a profit of only seventy-five cents per table, the income of the company is still increased to one and a half million dollars. Where its common stock paid five dollars a year and sold for around one hundred dollars a share, it can now pay eight dollars a year and will sell around one hundred and sixty dollars a share. A holder of a thousand shares now finds his paper wealth increased from a hundred thousand dollars to a hundred and sixty thousand dollars. But the process does not end there.

In a rising stock market the tendency is to discount in advance future prosperity. On a speculative basis a good stock paying eight dollars annually will sell around two hundred, particularly where the rate of interest of prime securities hovers around four to four and a half per cent, as it did between 1922-1929. The facts fully support the theory, as indeed must be the case with every valid scientific theory.

Discounting any attempt to deduce moral or ethical judgments from the facts involved Mills states: "From 1923 to 1929 the increase in the physical contribution of labor in all manufacturing industries in relation to physical rewards, increased 16.5 per cent. For each unit of goods received (through the expenditure of wages) the contribution of labor was 16.5 per cent greater in 1929 than 1923." [34] Yet labor's share through increased purchasing power was little over three per cent, while the profits of manufacture increased over twenty per cent.

FALLING TENDENCY IN THE AVERAGE RATE OF PROFIT

In this simple formula lies the key to the entire economic edifice as it existed during the lush years of the 1920's. The standard of living for the masses, always below the comfort level, was somewhat higher than what prevailed in the past decade. It appeared to be much higher than it actually was because goods were cheaper and in greater abundance. But profits far outstripped labor in the economic gains due to technological development.

One of the fundamental laws of capitalist economy is the tendency toward a falling rate of profit, though its mass increases due to the greater quantity of capital employed. At the very threshold of the technological revolution in production David Ricardo, one of the acutest intellects the science of political economy has called forth, pointed out the devastating influence of this inexorable law whose consequences capitalism tries vainly to escape.

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[34] Economic Tendencies in the United States—Mills, p. 522.

"An alteration in the permanent rate of profits," Ricardo wrote, "to any great amount, is the effect of causes which do not operate but in the course of years, whereas alterations in the quantity of labour necessary to produce commodities are of daily occurrence. Every improvement in machinery, in tools, in buildings, in raising the raw material, saves labour, and enables us to produce the commodity to which the improvement is applied with more facility, and consequently its value alters." [35] And later on during the course of his analysis of the rate of profit Ricardo shows that there is a consistent tendency toward the reduction of the rate of profit, which capital attempts persistently to counter-act by greater individual improvements in production, in circulation, in the cheapening of the raw material, but without avail.[36] It required the penetrating genius of Marx to disclose the economic laws by which this falling tendency is brought about, despite all the manipulations of monopoly and finance capital.[37]

No one can justly accuse our great captains of industry and princes of finance of knowing too much about the inner mechanism of their own economic system. As eminently practical men they leave that persiflage to the professoriate, while they go about the real business of the world. That business is to view the whole world of commodity production as one vast generalized process.

All must produce the average rate of profit, and the Stock Exchange is for them an infallible barometer of the whole. All stocks are standardized as to grade, and the firm average income is capitalized on the basis of the current rate to form the market price of the security.

In a situation such as existed from 1922 to 1929 every circumstance favored an inflationary run-away market. True, agriculture was stagnant. At least one fifth of the nation's banks, 6,000 of them, failed during that period, but they were small and generally in farm communities.[38] That economic void was more than overcome by exporting vast masses of commodities to buyers from whom we took long term notes, or to whom we thoughtfully loaned the money with which to pay us on occasion.

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[35] Principles of Political Economy and Taxation—Ricardo, p. 22.

[36] Ibid., pp. 72-4.

[37] Capital—Marx, Vol. III, pp. 247-71.

[38] Growth of American Democracy—Nichols, p. 696.

Technological improvements had materially reduced the costs of production. Prices were not reduced proportionately. Wages were on an even keel. Consequently most of the gains were reflected in bloated corporate income, while the resulting capitalization of earning power produced an intoxicating increase of apparent wealth enough to turn the head of the most sober-minded in the world of business, politics, statesmanship and religion; not to mention writers, painters and even poets. Paeans rose in unison to high heaven in thanks for God's munificent bounty, particularly for the great captains of industry He bestowed upon us, all in the expectation that a new stabilized economy of permanent prosperity had now settled over the land. Even radicals raised fabulous sums by sale of bonds to finance their newspapers, buildings, labor banks, summer resorts and what not which were to be repaid promptly after the revolution. Every baby cried for a bond with the first breath after the significant passage into this vale of tears.

TECHNOLOGY ADDS TO UNEMPLOYMENT

Technological unemployment was no longer a mere temporary re-adjustment prior to getting another good job. After making due allowances for re-employment in the industries related to the production of improved machinery and their raw materials and accessories, the three basic industries of manufactures, coal mining and railroads showed a net decrease of over a million workers despite the enormous increase in output.[39] Professor Paul H. Douglas, a noted economist and liberal reformer besides, resorted to the usual apologetics of contending that permanent technological unemployment is impossible, because after a temporary re-adjustment the displaced labor is re-absorbed in the production of machinery and its accessories.[40] We have already proven from the analysis of the factors involved why on the basis of the existing economy no technological improvement will be undertaken unless the savings through the ultimate displacement of living labor is greater in the long run to counter-act the increased investment in fixed capital. If a machine cost ten thousand dollars, the ultimate savings in social labor must be greater, otherwise there is no incentive under capitalism to install it.

During all this heyday of prosperity there existed a chronic army of unemployment; with fluctuating ranks, it is true, but whose total number never fell below two million, and sometimes reached four million.[41] By 1929 so far had the differentiation of society progressed that one-tenth of one per cent of the richest American families received approximately as much income as forty-two per cent of the families at the bottom of the scale; and this bottom included twelve million families whose annual income stood below $1,500.[42]

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[39] Problem of Unemployment—Douglas and Director (1931), pp. 141-2.

[40] Decline of American Capitalism—Corey, p. 233.

Statistics are supposed to be dull, yet if intelligently analyzed and clearly stated they give a more graphic picture of the reality than is possible by the most clever word picture. The very adroitness of the written word tends to create disproportions in the outline.

Who has not heard described the unbounded resources and the limitless wealth of these United States. Through myriad different channels this was drummed into the American people during the hectic 1920's, but with the complementary thought that only those shared who were able, and in proportion to their ability. It is doubtful whether the best among that one-tenth of one per cent could surpass on any equitable basis, physical, mental and moral, man for man, with the best among the dispossessed in this lower strata among the forty-two per cent.

During the course of our study, we have described some of the methods employed in the segregation of the social resources in the form of private hoards. Brains, ability, character, perseverance, thrift and all the other virtues were last among the qualities necessary for the amassing of immense stores of private wealth at the expense of the body politic. In the matter of technological unemployment, the internal laws of motion have been long understood by every honest inquirer. As long as capitalist economy is on an expanding scale, the grosser of the social derangements are adjusted in the long-time pull.

DISPROPORTIONATE GROWTH OF THE SERVICE AND PARASITIC OCCUPATIONS

In the concluding chapter we will consider the problem whether capitalist economy has reached the end of the line on the basis of its existing internal arrangements. But at the present time it is significant to point out that the number of creative workers had now come to a stand-still, and in fact had diminished during the decade of capitalism's greatest productivity for normal civilian life.

Corey points out that a host of workers were absorbed in nonproductive employment, in various service occupations, in small businesses as retail clerks, as garage men, insurance agents, in the motion picture industry, radio, and others. By non-productive we do not mean that they were all useless, but that from an economic standpoint they opened up avenues for the spending of revenues already created in the productive industries.

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[41] Growth of American Democracy—Nichols, p. 688.

[42] Ibid., p. 688.

Those acquainted with the principles of political economy will not lightly accept the gauge as to whether an occupation which is useful, must at the same time be productive in new economic values. The fire brigade performs a very useful function, even when confined to the fire-house, but no one will contend that they are creating wealth at the time when they are most actively engaged in bringing a conflagration under control. If there were no vital distinction between creative labor and the necessary labor consumed in assisting the spending of revenues, then we could all get rich quickly by hiring a staff of servants for the household, or keeping a host of lawyers busy with real or fancied grievances. No people ever prospered by spending more wealth than it created, although many individuals actually get richer while doing nothing but spending the wealth others thoughtfully provide for them.

Beard gives a graphic word picture of what he is pleased to call the new middle class of "huckstering shock troops who, with a technique and verbiage all their own, concentrated on ogling, stimulating, and inveigling the public into purchases. By raising the business of advertising to the intensity of a crusading religion, embattled vendors gained an almost sovereign sway over newspapers and journals as they pushed goods, desirable and noxious alike, upon a docile herd that took its codes from big type and colored plates." [43]

According to the 1930 census reports, ten million people were employed in trade and clerical occupations, four million in professional and public service, five million in domestic and personal service, while manufacture, mining, transportation and communication employed nineteen million, and agriculture and forestry eleven million.[44]

There is no question that a vast horde of those employed in trade, the domestic and personal services, and a goodly portion of lawyers, advertising writers and the like could be dispensed with in a rationally organized society and be put to productive or socially useful labor. This new middle class whose rise Beard hailed as a refutation of Marxian prediction,[45] is not a class developed out of the relations of production but, by his own analysis, is a parasitic group to a large extent whose function it is to stimulate or to serve in the process of expending revenues previously created.

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[43] Rise of American Civilization—Beard, Vol. II, p. 749.

[44] Reproduced in Nichols' Growth of American Democracy, p. 685.

[45] Rise of American Civilization—Beard, Vol. II, p. 750.

This "new" middle class and the old historical middle class are indiscriminately lumped together as if they stood for the same thing. We now know this is not the case. The old-fashioned small producer had passed out of the picture in modern industry, and that is the only independent status that any class can have, that which arises out of the relations of production. The small owner of securities is not a producer, but a coupon clipper who is taught to identify his interests with the group of corporation manipulators who decide just how large is to be the crumb he is to receive after they have had the first pickings. This great new middle class, this backbone of society in the two syllable mentality of Coolidge, this Tom, Dick, Harry, Will, Susan, Bridget and Jane whom Beard describes as being drawn into the mad vortex of stock gambling upon the advice of their "betters," [46] soon realized how insignificant was their role in the new society whose apogee of development was reached in the insane orgy of speculation that characterized the years from 1927 to 1929.

Capitalism is not made democratic by spreading its usufruct, in the language of a recent commentator, David Cushman Coyle,[47] any more than the contents of a dinner pail are made more plentiful by spreading it thin over many plates, as was often the case after 1930. This new middle class of hucksters and service employees all fed from the same trough, while the original source of the annual increment came from productive labor.

Again, let us repeat, labor engaged in the retailing of commodities, or in education, the arts and sciences is none the less useful, in the main, because it does not create direct economic values. This does not in the slightest minimize their social value. These are among the necessary expenses of society. The level of our civilization is to be gauged not by the wild efforts of the hucksters of commodities, but by the new wealth created, and the amount of the social wealth siphoned off into the fields of education, culture and the genuine refinement of the individual's social sensibilities.

HOOVER'S "NEW ERA"

Chief among the factors leading to the financial debacle of 1929 was the fact that the increased income resulting from the technological advances in production went to capital, while wages remained stationary or actually declined.[48] The resulting gain in profits had to increase the market value of industrial securities. Even where these gains were not fully distributed the speculative result was the same. After all, the mainspring of capitalist enterprise is profits, and where profits abound, value congregates.

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[46] Rise of American Civilization—Beard, Vol. II, p. 729.

[47] Roads to a New America—Coyle (1938), p. 258.

It has been noted that the average rate of profit changes but slowly. Many factors contribute to this phenomenon. Long term obligations and contracts are consummated, necessarily, on the basis of the prudent projection of present realities. Prime government and corporate securities with distant maturities but endowed with present value, are predicated upon a definite income capitalized at a low rate.

When in boom times that are created by a speculative market everybody seems to be making money through the buying and selling of securities, when prices soar by capitalizing present income and discounting prospective future gains, there are observable two contradictory movements in the money market. Outstanding long term bonds with a fixed income have a tendency to fall below par, due to the temporary rise in the average rate of profit, while the market prices of corporate securities are increased inordinately by capitalizing high present and prospective earnings. This, of course, is based on the expectation that income will increase and so make good the expected capital gains to the present holders of those speculative securities.

In this anomalous situation a prime government security paying four to four and a half per cent hovered around the nineties; while an industrial share paying four dollars annually sold around one hundred and twenty. If that same industrial should have a good year and distribute six or seven dollars per share, the capital gains would be enormous, while naturally no such capital gain could be expected in the bond market where the rate is determined by the bond provisions.

The current effect on corporate financing was reflected in the situation where good bonds had to be marketed at five, five and a half and even six per cent. Consequently many corporations took advantage of this situation to call in their outstanding bonds already subject to earlier redemption, and paid them off by the proceeds of an emission of common stock in a rising market. Everything depended, therefore, upon maintaining this higher income upon an artificially inflated level.

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[48] Productivity, Wages and National Income—Spurgeon Bell (1940), Brookings Institution Pub., pp. 172-3.

THE INGREDIENTS OF A BUSINESS BOOM

Exponents of the theory of the "new capitalism" denied that this level was artificial, or that it could not be pushed to even higher reaches. The country was young, they contended, its economy was flourishing, its resources were illimitable, while its social institutions were most favorable for the private exploitation of national resources for the common good of all.

Urban real estate reflected this situation. With money being cheap as measured in actual buying power, rents had a tendency to rise. Business property reacted to the business boom by paying inflated rentals which were soon capitalized into fantastic prices on land and buildings.

Even in the early stages of the boom ominous signs of impending disaster were clearly visible to those who still retained their judgment. Rents for workers' living quarters became so high that families found it necessary to cut expenses by doubling up. Wives in increasing number had to go to work to maintain a higher standard of living.

More humane building codes compelled the construction of better tenements, while the rentals were beyond the reach of the workers' income. At the same time a building shortage developed, because new houses could not be put up for the use of the masses at rentals they could afford to pay. Hence the slum areas continued in use long after they had been condemned to destruction by every reason of enlightened social policy. Local governments attempted to meet the situation by tax-exempt laws affecting new buildings for occupancy of those with modest incomes.

This was reflected, not in a reduction of rentals which was its main purpose, but in increasing the profits of landowners and speculative builders who pocketed the gains, while their occupants had the satisfaction of knowing that for a term of years, usually ten, the improved property was being supported by the generality of tax and rent payers for the public services they enjoyed. Thus it was that the housing conditions of the masses deteriorated in the large cities, except at the expense of other vital necessities and those luxuries of a former day that had now become part of the requirements of contemporary existence at a fair level of decency.

Installment buying of usable goods began to take the place of the old-fashioned methods of acquisition. It is so easy to buy for a small down payment and the rest to be extended over the months or years. While income is firm there is no harm in that, if kept within reasonable limits by the purchaser. There is a great deal of danger lurking in that process for the sellers as a whole, because they are working at the dangerous game of discounting future normal sales for present profits which are reflected in large dividends that help to sustain the high values of company securities. It was a vicious circle and the end had to come some time.

During 1923-1927 the amount of installment purchasing amounted to an annual average of five billion dollars.[49] Now no reasonable person could be blind to this sort of thing. Under the terrific pressure to sell, sell, sell, producers could artificially increase their sale records by time selling even on commodities not adapted to such sales, namely where the product was unsalable if repossessed, or where the notes extended beyond the life-time of the article. Such things actually were done.

Records of sales were broken, or at least sustained. The costs of selling became greater. Advertising methods attained a degree of high-pressure tension seldom equalled, and never since surpassed. This thing had to go on or bust. Notes were discounted, and as payments lagged, other notes had to replace the protested ones.

Capitalism at best is an economy in a chronic state of disequilibrium. Now it became even more so. The least untoward incident might topple the entire top-heavy superstructure, so delicately balanced on a narrow base. The most dangerous method of balancing an economy is that where consumer purchasing power is stretched to the uttermost, and the method of consumer installment purchasing is the worst of all.

Yet capitalism could not stop the process without causing an immediate collapse. If it must come, sufficient unto the day, but let us keep that day off as far as we can. Something may turn up. Your captains of finance are now turned mystics, having themselves posed so long as miracle workers.

Meanwhile, as Professor Fisher estimated, the entire debt structure of American society was geared to the same dizzy pace. Upon an estimated national wealth of three hundred and sixty-two billions in 1929 there were outstanding two hundred and thirty-four billions of debt.[50] The whole crazy structure could not last. When it collapsed, the heart of capitalism died with it. The current stagnation and war is but a form of slow social suicide.

Bell's recent book contains a wealth of statistics carefully put together to illustrate the nature of the economic processes as they developed between 1923 and 1929 in five basic industries that prove conclusively the inherent unsoundness of the economic system as it then existed, according to our contention. In the concluding part of this work we will analyze the nature of the internal laws of social motion which made that situation possible, and present our reasons why that feverish state of economic activity can never return on that same basis. At the present time we desire only to fix the relations of production as they then existed.

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[49] United States Since 1865—Hacker and Kendrick, p. 619.

[50] America in Midpassage—Beard, p. 65.

Taking the automobile industry, Bell shows that from 1923 to 1929 the real and money wages remained practically the same, while the physical output increased per man hour from 98 to 140. The cost per unit decreased from 106 to 79, while the cost per pound of each unit fell from 106 to 74. The earnings for capital increased from 87 to 146.[51] Here we see illustrated most clearly the principles enunciated in our previous discussion of the disproportion between mass income, and the consequent purchasing power to take up the products created in mass, for mass consumption in a market of limited purchasing power.

In this connection Bauer shows how tricky apologists can make black appear white by juggling the same figures on technological displacement of labor. By substituting man-years for man-hours in the labor required for modern automobile production the entire picture is vitiated because in the respective years chosen, 1929 to 1937 no account is made of the reduction of hours that had taken place in the working day, nor of the improvements per car which entailed more labor per product, though in a shorter time. By these tricky omissions an actual displacement of labor of 17 per cent in ten years is effectively obscured.[52]

For steel, Bell shows that from 1923 to 1929 real and money wages increased about six per cent. The physical output per man hour increased from 95 to 130; the unit wage cost fell from 99 to 81 while the earnings of capital jumped from 113 to 180.[53]

Cotton and textile for the same period show that both real and money wages fell about nine per cent, reflecting the shift of the industry from the North to the cheaper labor of the Southern industrial areas. The physical output for this already highly mechanized industry shows no such startling increase as in autos and steel, having increased only from 96 to 105, while the earnings of capital actually declined from 99 to 92.[54] It is interesting to note that this stagnant industry was the least affected by the crisis and ensuing depression, for most of the speculative elements had been crushed out long before 1929.

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[51] Productivity Wages and National Income—Bell (1940), pp. 288-9.

[52] National Welfare and Business Stability—Bauer (1940), p. 40.

[53] Ibid., pp. 298-9.

[54] Ibid., pp. 306-7.

The data for tobacco, cigars and cigarettes is too voluminous to be here presented, while the different elements entering into the respective branches of the industry do not lend themselves to synthesis. Nevertheless some indication of the technological developments can be garnered from the figures on cigarettes which show that from 1923 to 1929 the number of wage earners remained stationary at 159,000 while wages increased from $12,700,000 to $14,200,000. The output in millions of units, however, jumped from 66,734 to 122,402, while the net earnings of capital rose from 96 to 135.[55]

For manufactures as a whole during 1923-1929, the aggregate wages of workers rose from 103 to 110, the productivity of labor increased from 94 to 122, the unit wage cost fell from 103 to 86, while the earnings of capital rose from 107 to 128.[56]

Enough has been given to prove conclusively that neither labor nor the consumer, among whom labor collectively predominates as the greatest purchaser, derived the benefit from the tremendous technological increase in production and the consequent reduction of cost per unit. Prices fell, but not in proportion to the cheapening of commodities.

This was counteracted as far as the workers were concerned by higher costs for housing, and the too elaborate system of selling which ate deeply into the economic gains of technological development. Installment selling became general particularly on those one-time luxuries that had now become necessities of modern living, like the family car, the radio, home labor-saving devices and so on. Time-buying had developed into a not too highly refined form of usury and too often descended to plain and simple gouging, as New York's investigation of the small lending business demonstrated.

CONSEQUENCES OF DISCOUNTING PROFITS FOR ALL ETERNITY

On the strength of the business up-swing maintained largely by widespread speculation for progressive future gains, millions of small so-called investors plunged into the stock market to capitalize on this future exploitation of the people as a whole. Meanwhile, behind the scene of this clamorous mass intent only upon the pursuit of noble individual initiative at the behest of hordes of go-getters, high-powered salesmen, and political one hundred per centers, stocks had been pushed to such high points that sub-division was resorted to in amoeba-like fashion. One stock was split up into two, three or more parts, and each part miraculously grew by the very magic of the procedure.

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[55] Productivity, Wages, National Income—Bell, pp. 308-13.

[56] Ibid., pp. 269-70.

As this process became more fantastic the popular thirst for these sudden riches grew beyond all rational limits. Many a common stock struggling mightily to keep up profits by pressing production and sales by all sorts of devices managed to pay two dollars on the split-up shares, which the frenzied public capitalized at from forty to fifty times to sell from eighty to a hundred dollars. At the same time United States government securities had a difficult job maintaining par, though they paid four dollars annually and were capitalized at a modest twenty-five times.

This insanity could not last much longer. The first premonitory rumblings of impending disaster were heard all along during the early weeks in October, 1929. Stocks began to fluctuate rather widely. The pillars of society, the Lords of Creation, as Beard describes them in his magnificent chapter on "Dissolutions" in the third volume of his Rise of American Civilization,[57] went through the procedure of holding up the mighty edifice of finance.

Suddenly the world began to realize that these were merely the beneficiaries of a system to which they falsely had laid claim of being the creators. They did, however, ward off disaster from October 24th to October 29th. By that time the bankers had had an opportunity to call in enough loans to save themselves as best they could.

After all, the member banks of the Federal Reserve System had call loans outstanding amounting to over six and a half billion dollars. These loans were advanced from day to day at rates of interest far above those permitted in ordinary business transactions, standing at that time at around 18% per day. The loans to a large extent were the difference between the margins put up by the purchasers of speculative stocks and their current selling price as these funds were being called in, calls for cash were put in by brokers to their customers. The investing public had good reason to take fright.

By October 29th the big bankers had snuggled away what they could before the storm broke. Only sellers appeared in great numbers, while wary buyers bought as they thought for the great gains of a rise after the storm. On that never-to-be-forgotten day in the annals of the New York Stock Exchange over sixteen million shares changed hands at a calamitous fall in prices averaging about forty points.

[57] America in Midpassage—Beard (1939), Ch. III, p. 56.

But that was only the beginning of a long, painful and exceedingly destructive wringing out process that went on at recurrent intervals to January, 1933. From September, 1929, to that later date the index of thirty major industrial stocks showed a drop from an average 365 to 63; twenty major public utilities stocks fell from 142 to 28; while twenty railroad stocks declined from 182 to slightly over 28 on an average. How vitally the entire economic system was weakened could be observed from the fact that the average of twenty New York bank stocks fell from 358 to 68.[58]

OCTOBER 29, 1929 MARKS THE END OF PROGRESSIVE CAPITALISM

Among the momentous dates future generations of American children will be called upon to recall and to describe, October 29th, 1929 will occupy a prominence it does not yet possess to the present generation and its intellectual leaders. The consequences following out of that stock market crash resulted in that creeping paralysis which gradually spread over the entire body politic until the bottom was reached and a moratorium was declared by Roosevelt in March, 1933.

Now filled with the intoxicating consequences of war profits old-line business leaders, economists, statesmen and great orators look longingly back to the pre-crisis years and vow to bring about their return by various mysterious devices known only to the initiated of the craft. It will be our purpose in the final Part of this work to show why that period in our history is a closed chapter, and will never return on a comparable basis.

This does not mean, as the phrasemongers tauntingly retort, that America has reached the status of a Mature Economy, as claimed by those who point to the chronic regressive and at best, stagnant tendencies of contemporary life. But no matter what the philosophical outlook, all will agree that it is of the highest practical importance to the nation and to its individual components, that a clear picture be had of the social forces now operating to mold our economic and political life.

Such a picture must be dynamic and all inclusive. There must be no place for ambiguity, no room for misunderstanding. It is one of the inestimable achievements of the science of history that once its laws of motion are clearly understood, and the relations of forces arising out of position and motion are analyzed the future organization of the social matrix can be foretold with the assuredness of scientific prediction.

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[58] America in Midpassage—Beard, p. 57.

One of the trite dogmas of history is that the future cannot be foretold. Like all dogmas, errors fraught with dangerous consequences follow from the uncritical acceptance of this theorem. At another point we have emphasized how many and how vital are the relations which regulate our daily lives and the confidence with which we proceed to organize our existence by the foreknowledge of their recurrence in most substantial respects.

Before we proceed to the concluding part of this work, it is necessary to summarize the results of the Period of Industrialization up to this point. If it should appear to the reader that in the presentation of this period we have overlooked the principal duty of the historian, which is to analyze the significance of political events and personalities, the answer is that during this period, as at no other time in our history, the economic forces within society were given fullest rein, with the bit between the teeth of its industrial and financial leaders. The political and ideological representatives of society were helpless before them, and in fact were their pliant instruments.

But after a while, a very long while as American history goes, these leaders of our economy came to the end of their line. They and their successors still hope that their headlong gallop can be resumed. It is incumbent upon us to show first why it cannot be resumed; secondly, why the course of social progress lies in a direction different from the accustomed grooves; and finally to prove why a new type of social vision and a new type of leadership is required for this continuing story of the progress of the American people.

SUMMARY OF THE PERIOD

Viewing the Period of Industrialization as a whole, the question asises as to whether or not we have over-stressed the role of the Civil War as initially supplying the propulsive forces for American industrial development. All historians are agreed that industrialization really got under way after the success of the North.

Was that result fortuitous or inevitable? What is the relation between war and progress? Would industrial capitalism have developed in comparable proportions had the result of the war been otherwise? The problem then arises as to the influence exercised by the uncertain fortunes of battle, the varying strategy of military leaders, the shifting policies of statesmen and the fallible judgment of men, combined with a multitude of other variable and unpredictable factors, all of which must negative the possibility of science and law in history in proportion to the permutation of those uncertainties. We will endeavor to answer these problems because they all go to the heart of the scientific theory of history we are endeavoring to establish.

Much discussion has been evoked by the question of the relation between war and progress. At a conference of one of the learned societies of the teaching profession, a distinguished moulder of the minds of youth proclaimed to the world that a new light had dawned upon him. Ever since the end of the First World War he had been teaching that wars never solve anything. But since then a new "Beast has arisen in Berlin." He sees things in a different light. In defense of his new thesis that some wars are progressive in nature, he prudently points to our Revolutionary War in order to avoid complications by speaking of any other of our many conflicts.

The lesson, of course, is obvious. But the Editor of the Times[59] who possesses a little more gray matter than this institutional prebendary, comments from his sanctum that our professors since the disillusionment of the First World War have taught too often and too well that that conflict was essentially a struggle for world power between two groups of European imperialist powers, and that now in the midst of the Second World War, the youth of America cannot well be blamed if they have stuck so closely to the lessons painfully imbibed during the hours of formal classroom torture.

Our distinguished professor was initially a simpleton when he taught that wars never settle "anything," and is currently a fool for asserting that this war will settle "something." Serious students of society do not speak of wars "in general." Every war must be considered in relation to its time. Our Civil War was progressive in the sense that it unloosed those creative elements implicit in industrial capitalism that were crushed or held in abeyance during the time when the North and the South eyed each other closely for the control of the Federal Government, with all the attendant compromises necessary for maintaining an artificial political balance. Everything in the United States before 1860 showed the pervading influence of a restraining power over creative national impulses craving for free expression. The Civil War provided the opportunity for the unleashing of this abounding energy.

It is immaterial for our purposes whether this energy was directed primarily for private gain or for a pro-social purpose. One can safely assume that very few of the great captains of industry who rose to power during the post-war period would have bestirred themselves with such reckless abandon without the incentive of personal profit. That is not the decisive element for that period. The fact remains that railroad systems were built, giant industries were established, our great banking system was created.

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[59] This discussion was carried on in the New York Times during July, 1940.

That railroads, industries and banks existed before the Civil War is patent; what is not so evident is that the social system prevailing in the South acted as a retarding agent upon the dominant social system of the North. This stalemate had to be broken, and the slavery question was the fundamental issue upon which both sides joined in irreconcilable struggle.

That the North after the first flush of victory was spent sought to forget the Negro and resigned him to a fate scarcely better than slavery is not proof of Yankee hypocrisy, but rather of Yankee practicality. Moral fervor is at best an uncertain element, and definitely of little staying power. The political power of the South was broken; the basis of its social system was destroyed; and above all, its palsying hand on industrial progress was removed once and for all.

For the rest, the South would either join the orbit of the North, or stay out, as it chose. Northern industrialism was supremely indifferent which they preferred. It had a continent to conquer, and later an empire to develop; that was room enough for its turbulent energies to expend themselves.

The South chose to remember and to sulk. It has continued to do so until comparatively recent times with the result that the South remains to this day in an extraordinarily backward state, constituting America's Problem Number One. It is beginning to show evidence of recrudescence only to the extent that it has adapted itself to the economic methods and ways of thinking of the industrial North.

Civil wars are not necessarily the harbinger of progress. Everything depends upon the surrounding circumstances. Many nations have suffered the travail of armed domestic quarrel, ending in nothing but destruction and retrogression, or in that sloughing stagnation which maintains life after a fashion, but far below the level attained by their more vigorous neighbors, or even during its own virile history. Therefore the secret for the progressive outcome of the Civil War lies in the understanding of the social system which predominated in the North.

The war did not create industrial capitalism in the North; it only removed the restraints for its further progress. Every competent observer of American affairs in the two or three decades prior to the outbreak of the struggle comments upon the virility of Northern life in every field of social activity—in economic development, in material wealth, in general education, and in the cultivation of those graces which are the distinctive characteristics of modern Western civilization. The enervating spirit of the slavocracy was transmitted from the Southern gentleman to the Southern politician who now senses that his section will never share in that measure of well-being vouchsafed to the rest of the Union unless the South adopts the methods of industrial capitalism.

But the Bourbon is not yet reconciled to the fact that capitalism is a born cynic and leveler, and reduces all human beings to the same common denominator, just as all its products are equated to the same measure of value, and all its labor power, black or white, to the same common undifferentiated expenditure of the living force of the human structure. It may appear like an ironical twist of history, but the progress of the South is dependent upon the liberality of its attitude toward the Negro.[60] For it is not only a question of the Negro, but of the South's entire attitude toward capitalism, and of unquestioning submission to its laws of motion if it would share in its benefits.

Capital may be, and is, supremely indifferent to the South's traditional attitude toward the Negro. But capitalism cannot thrive there unless it is assured of that modicum of direct political control without which it is subject to the vagaries and inconsistencies of the South's political rulers. Wherever capitalism has penetrated in every corner of the globe, it has striven mightily to make an ally of the state where it could not control it outright. Such control in the United States can come only through the manipulation of the democratic process by its own agents.

In short, for capitalism to thrive untrammeled in the South, the power of the Bourbon Democracy within those States must be destroyed. This can be accomplished only through the effective assertion of the Negro's political rights. As long as the Negro is a peon, the South will be ruled by the Bourbon, and capitalism in the South will never be more than a branch of the capitalism of the North, subject to recall at the earliest convenient time. The future progress of the South depends upon the social emancipation of the Negro.

Once Northern capitalism obtained a free hand upon the withdrawal of the Southern representatives from the seat of government, there followed in rapid succession a series of measures that emancipated it definitely from the limitations of halting progress by struggle and compromise. This is not to assert that industrial capitalism de-

[60] Capital—Marx, Vol. I, p. 329.

sired or planned the war. But once war had begun, fullest advantage was taken of its newly-acquired freedom of action; a freedom which at that time coincided with the dearest aims of government and the earnest wishes of the overwhelming mass of the people—all of which was incidental to the main objective of winning the war and preserving the Union.

Everything else followed from the necessities of this immediate purpose. First among these measures was the tariff laws. The history of their enactment proves conclusively that the Civil War was by no means a struggle induced by industrial capitalism, but rather a struggle from which capitalism was indirectly the chief gainer. The high war-time tariffs were dictated not by any classical theories of protection for the domestic producer, but rather to equalize his position in the domestic market against foreign competition due to the high internal taxes made necessary to raise money for the prosecution of the war.

Ever since Henry Clay had promulgated his American System, the tariff question had depended upon the fluctuations of political fortune. Now the necessities of war had resolved the issue, and upon its successful outcome the future tariff policy was henceforth to be determined, with few exceptions, by the predominant influence of industrialism in our economic and political life.

With the passage of the Homestead Act, the great national domains in the West were opened up for settlement unhampered by the question of whether the new territory was to be free or slave. The generous terms offered by the government resulted in the rapid filling up of the land, while other influences germinating from the complex of the Civil War situation impelled the artificial stimulation of emigration and immigration to the new lands. Chief among the latter was the direct intervention of the Lincoln Administration which urged upon Congress the replacement by European adults of those who had been drawn into the armed forces of the nation or sucked into the new war industries.

Later the railroads in co-operation with the steamship lines carried on an incessant propaganda among the hard-pressed European peasantry for settlement on virgin soil with farms of their own. Internally, emigration was urged upon the inhabitants of the crowded East to go West for security, if not fortune. It is academic to argue concerning the possible effects upon the West if the Civil War had not been fought and won by the North. Our history supplies abundant evidence concerning the retarding influences of the South in relation to the settlement of the public domain acquired by the Mexican Cession.

Putting the banking system in order was dictated by the grim necessities of the colossal struggle. Ever since the founding of the Republic the government had followed a vacillating policy on the banking question. This was made necessary by the dual nature of our political structure with a Federal Government based upon limited grants of power by the States. In some activities both the State and Federal Government have mutually independent and concurrent powers.

Among them is that of banking. For the few great commercial centers of a predominant agricultural economy, a strong central bank with strategic branches in the principal cities was adequate for their requirements. This field was occupied principally by the First and Second United States Banks by virtue of a Federal Charter for a period of twenty years each, and also by a few powerful State banks and private banking firms. As for the smaller communities, their needs were met after a fashion by a multitude of small State banks.

It appears that among the inalienable rights of an American in those days, besides that of expectorating, cussing and voting, was to establish his own bank and print his own currency. As long as the nation continued on its agrarian-slavery economy, the banking system could somehow get along from one break-down to another.

With the outbreak of the Civil War all this was changed. For the moment, all power was concentrated in Federal hands—nothing else really mattered. The financial operations imposed by that titanic conflict required a valid currency and a sound banking system. The Union government needed that as much as it needed men with guns to fill its armies.

There was no hesitation manifested once the issue arose in such clear-cut fashion. The national banking system was created, with a valid national currency backed up by Government bonds, while a tax of ten per cent on State bank note issues ruthlessly and effectively drove them out of circulation.

As it so happened, a sound banking system is one of the props of modern industrial capitalism. Northern capitalism did not bring the national banking system into existence by its own conscious, deliberate will. Without one, however, capitalism could not have brought the nation under its sway as quickly, as effectively, and as completely as it did.

Once these social laws of motion were given full play, all the rest necessarily followed. A state organization quickly responsive to the needs of flowering industrialism came into being. For over a period of seventy years the ideology of industrial capitalism predominated more over the actions of men than did the sublimest teachings of

Christianity. Even to this day, twelve years after the Great Collapse, it still prevails and governs the most deep-seated motivations of the average man in the United States.

Capitalism in a virgin country with an aggressive population required vast masses of capital accumulation. We have studied their origin and have noted the methods by which they were obtained. To the so-called legitimate profits out of a nation's travail in civil conflict there was added the most shameless profiteering and corruption of public officials. Then followed the railroad boom and capitalizing of the nation's resources freely granted for private exploitation.

In this expanding economy the time of turn-over began to play a vital role in determining the rate of profit. Capitalizing natural resources by charging and maintaining high prices was one of the commonest means for amassing great fortunes. Another was the garnering by individuals with legal title to ownership of capital of the gains from productive processes, whose creation represented in the highest degree the result of the cooperation of the best brains of the human race down through the ages, in every time and in every land. Most inventors died poor.

The great steel master, for example, was the financial manipulator of the industry, though the development of mining the iron and coal, the economical transportation of material, the methods of smelting, and all the vast technological processes involved from the initial raw material to the finished product employed by the consumer was the result of the collective brain of mankind, though a very few reaped the material reward of their labor.

Industrial capitalism which throve on competition at the beginning now discovered that greater financial gains could be made by the circumvention of its laws. With that discovery the vital spark of capitalism as a creative, constructive force in the history of mankind came to an end. With unerring instinct the American people recognized the danger and sought to destroy the onward march of the inexorable processes of monopoly capital by enacting appropriate restraining legislation. This attempt failed. Had it succeeded, American economic development would have been stultified.

At first thought this may appear as a contradiction to contention that vast combinations of capital crushed out the vital spark of capitalist economy, and yet furthered tremendously the development of the country during the ensuing sixty years. Apologists of various sorts can point to the new industries that have come into being during that period, and how the standards of living have been measurably increased for the masses of our people. But they overlook the important fact that under the competitive phase of capitalism continuous improvement in an effort to cut down the period of turnover was the guiding technological law of capitalist economy in its aim for profit, while under monopoly capitalism the profit can be secured by other means than technical advances. Only those processes are adopted which will yield greater gain after a careful balancing of the expense for new outlay and cost of production. Under competitive capitalism there was no such choice, for the weaker paid the inevitable penalty in the struggle to survive.

Now the giant corporation can weigh and measure the consequences at its discretion. It can make allowances for vast masses of unusual productive capacity by artificially keeping up the price. The steel industry, for example, can break even on only 40% operation; it can make a good profit on 50% operation, while everything above that is luscious cream, but mostly for stock speculators.

In a competitive economy every effort must be made to abbreviate the working period for the production of the commodity and of the time of its circulation, while utilizing the fixed capital to the fullest possible extent. Monopoly capital by its very nature does not fear competition, and therefore adopts those policies for production which will yield the greatest immediate marginal returns. The result is that industrial stagnation must take place.

There are not lacking those who would like to restore the happy days of old, as they view them. The popular mind is generally fifty years behind the progress of events, and that mind is reflected by its current political representatives. After many years of painful experience both the people and their representatives are reconciled to the inevitability of large industry, though they still subscribe to some form of nebulous regulation. The same popular mind and its political reflex does not yet grasp the fact that monopoly capitalism has reached the end of its line, historically; that it has nothing new to offer to society in the form of a vital principle that will lift it out of the slough in which it now finds itself between intermittent crises on one hand and interminable war on the other.

Capitalism reached its highest phase when finance capital became the determinative factor in its economy. Production methods, improvements, prices, quantities, the degree of economic operation, all are regulated by big business upon the basis of how it will affect profits. The decadence of Britain and France on the world scene was known to observers long ago because while competition can be crushed in the internal economy, only an effective world combination of dominant capitalist powers could crush it on the international field. Such a world combination was attempted through the

League of Nations but mutual national rivalries frustrated the effort.

It could not be otherwise. An effective world organization is impossible without a concomitant re-organization of the material basis upon which modern capitalist economy operates. Such a re-organization will not, and cannot be effected by the capitalist class as such. It is a vast social problem, and in an essentially democratic country, as the United States unquestionably is, this problem can only be solved by society through recourse to normal political methods. But before the solution of a problem can be attempted, it must first be understood.

PART FOUR

PERIOD OF NATIONALIZATION

CHAPTER XXI

Consequences of the Crash of 1929

A. Course of the Depression

DANGERS IN EMPLOYMENT OF CURRENT PHRASES

Among our more amiable failings is the inability to perceive the shadow of coming events, and yet when the substance presents itself with irrevocable finality, to pretend that it was all in accordance with predetermined calculation. So did Hitler accept his Russian defeats according to plan. Another common defect of our nature is to shun the laborious process of proof and demonstration to hurry on to the conclusion. Everybody believes himself to be as competent as anybody else to pass judgment upon the significance of social happenings, and since this is still a democratic country, to announce conclusions which in his own estimation are just as much worthy of consideration as that of the most learned savant. On the whole, it is a healthy state of mind, so long as it is receptive to new ideas.

It is somewhat unfortunate that the future course of events for the next twenty years should be summarized in the single word nationalization. Everybody is presumed to know what that stands for. It has been advocated from countless soap-boxes by hair-brained ignoramuses. Ambitious high school students have written learned essays upon it. Legislative halls have heard it advocated and condemned, while thoughtful editors beguiling the elusive muse to their sanctum have emerged with brilliant dissertations in its praise or condemnation, principally the latter.

Shades of the Soviet Union are invoked, as well as those of Fascist Italy and of Nazi Germany. Many a bitter tirade has been directed against the tendency toward nationalization which some have observed, or think they have, in the pre-war policies of the current Conservative government in England, as with the New Deal under Roosevelt. Of course, everybody knows what nationalization means. No one in polite circles is rude enough to inquire too deeply into the meaning of current phrases, more for fear of exhibiting their own superficial knowledge than out of scruples for exposing that of others. But as that rare personage the persevering reader will discover, our employment of that term is necessarily in a sense different from its current signification.

Let us state at the very outset of this important discussion that we are not engaged in advocating a personal theory or hope, under the guise of a scientific analysis. Science has long ago discovered infallible tests to distinguish between subjective rationalization and objective laws of nature. We are not now passing any judgment upon its desirability or its efficacy, nor as to whether the accompanying state organization and its ideological superstructure will be of a democratic nature or be totalitarian in character. Needless to say, all these terms, including nationalization, will be carefully defined during the course of our inquiry. We are interested primarily—and at this phase we are justified in saying, exclusively—in the consideration of our present-day social structure, and the laws of internal motion which are developed from the inter-play of its component divisions.

We have frequently employed the expression that modern capitalism has reached the end of the line in its progressive development. It is incumbent upon us to prove this statement in a truly scientific spirit and beyond any question of scientific doubt. We must demonstrate that capitalism has exhausted all the progressive elements inherent in that mode of economy.

Progress has been defined as the opportunity for the fullest development of the economic, political and ideological possibilities inherent in the social structure of an epoch during its virile stages. It must be our duty to prove conclusively that no matter what the policies of American statesmen or the devices of leaders in industry and finance, what has been done cannot now be undone, and that in the American social structure as it now exists, the creative possibilities of modern capitalism which came into existence during the sixteenth century have now been exhausted and that this mode of production has prepared the ground for a newer and higher type of social organization.

This does not mean that Western civilization throughout the world must fold up and disappear. On the contrary, the course of Civilization from the remotest records to the present time is replete with proofs that once great civilizations often outlive their historic function to linger on in varying stages from stagnation to decadence and so eventually to decay if it is not sooner overcome by some greater power. No inference should be drawn from this that the forms of social organization of the so-called totalitarian powers are "superior" to that of the so-called democracies. That very term is stranger to the philosophic basis of the Historical Field Theory. But no practical purpose can now be served by forestalling the course of the analysis.

PITIABLE SPECTACLE OF THE ONCE MIGHTY LEADERS OF SOCIETY

It was characteristic of the leaders of society as the panic of 1929 settled into a chronic crisis and depression to deny, first the fact of the panic, then the reality of the crisis, and finally to surrender ignominiously as economic paralysis gripped the country during the lowest depths of the depression in March 1933. "The exigencies of the depression period," writes Lyon and his associates in a Brookings Institution publication, "led the country to utilize government agencies more aggressively in the aid of many parts of the economic system even under a President and a party which in principle were opposed to such extensions." [1]

Hoover was a most disconsolate figure during the fateful period when the house of cards he was so industriously creating with his collaborators during the 1920's fell about his ears. As the storm gathered the soothsayers of industry and finance performed their various haruspices and gave to the palpitating press their prognostications concerning the future. All agreed that the crisis was but a temporary manifestation. After all, they whistled, we had been through such storms before and not only weathered them, but rose eventually to even greater heights. The country, we were assured, was basically sound, its people intelligent and virile, its resources unlimited, and its institutions firmly grounded.

Hoover added his reassurance: "The fundamental business of the country, that is, production and distribution of commodities, is on a sound and prosperous basis." [2] He was the author of the optimistic phrase that prosperity "was just around the corner," and he was subsequently to have those words repeated jeeringly in his ears with infinite variations on that sardonic theme. The whole view of the Administration was that matters would ultimately right themselves by inherent necessity if only we will sit tight and have faith.

Conferences were called in Washington attended by the leaders of finance and industry, to prove to a frightened country that the brains which support the universe were still functioning for their

[1] Government and Economic Life—Lyon et al. (1940), Vol. II, pp. 904-5.

[2] Quoted by Beard in his America in Midpassage (1939), p. 57.

welfare. The Federal Reserve Board adopted a liberal open market policy and bought commercial paper at a very rapid rate. But there was precious little valid paper floating around. The rate of re-discount was reduced from 6 to 5 per cent and soon thereafter to 4½ per cent. By June 1930 the rate was dropped to 2½ per cent,[3] but still legitimate commercial paper did not rush in to take advantage of these opportunities.

The simple truth of the matter was that the great engineer in the White House together with his equally great financiers and industrialists were mistaken when they thought that the chief business of the country was the production and distribution of commodities. They over-looked in their public pronouncements the important fact that such production in a capitalist economy is conditioned upon the earning of profits, and will continue only on the prospect of making profits, while these in turn are dependent in the final analysis upon the successful consummation of the sale of products to solvent purchasers. When purchasing power disappeared earned profits vanished and stocks of unsalable goods accumulated. As both profits evaporated and consumer savings were exhausted, production reduced its tempo until it came perilously close to a halt. Such an important industry as steel fell even below twenty per cent of capacity, while luxury production vanished with the wind.

Bratt who is a shrewd observer of the Wall Street market, though typically superficial concerning the deep-running currents of society as viewed from the standpoint of the financial mart, gives a rather graphic description of the Great Depression from the limited vision of the speculative forecaster. Business leaders, he writes, had sold themselves on the New Capitalism they had previously sold to the public. After Hoover's frantic conferences they agreed not to cut wages and to undertake improvement of their plants to help the durable goods industries.[4] But it is precisely these industries which must bear the brunt of a depression. After six months of vain effort to revive that essential production, they recognized the absurdity of increasing plant capacity at a time when the existing capacity was lying fallow to a large extent.

So blind were the leaders to the actualities, or rather so accustomed were they to the economic grooves into which they fitted rather than they carved for themselves by sheer genius, that in the early months of 1930 banks actually extended loans to speculators to buy securities at the current low level for what they believed would be the inevitable rise. By spring the nation was warmed with the pleasing spectacle of a boom market. For years the public had been drilled to believe that an active stock market was the infallible barometer of national well-being. Now things were picking up again and everybody was glad. Business would resume as usual; all that had happened was just some horrible nightmare. But by mid-year it became evident that there was no substance behind this boom. Production was sagging, prices were falling, and the expression "net loss" in corporation returns was being repeated with ominous significance.

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[3] Business Cycles and Forecasting—Bratt (1940), p. 457.

[4] Ibid., p. 458.

Once more the sign "business as usual" had to be taken down, for a sharp decline in the stock market in mid-year wiped out the margins of the intrepid speculator, and banks took a beating besides,[5] in the expressive phraseology of the Street. To make matters worse, "at the end of the year," writes Bratt, "stock prices declined with renewed vigor. The days of cushioning the drop were over and finally it was necessary to permit the decline to close out unsound speculative commitments in stocks. So far, there had been but a slight increase in the number of bank failures, but men with important financial connections had realized that the speculative position of many of the banks was weak and that many banks could not withstand a much further drop in stock prices." [6] Perhaps some readers with painful memories of those days will notice the typical Napoleonic expressions of those financial wizards who permitted the decline, just as the Little Corporal permitted himself to be carted off to St. Helena.

STOCK MARKET PHASE OF THE CRASH

Beard paints a far different picture of these Lords of Creation, as he so expressively refers to them, concerning their philanthropic motives in supporting the burdens of the financial world with such great self-sacrificing perseverance. He has, besides, the advantage of quoting from the official records to support his denunciation of their malodorous practices,[7] while Bratt's work merely is intended to point the way for the aspiring hopeful who seeks to enrich himself by the labor of others through the mechanism of the stock market.

It is significant to note with what aplomb Bratt states the case for the important men who realized that it was time to let the banks take their hiding. One is left with the easy surmise that most of them had taken precaution to save what they could from the impending

[5] Business Cycles and Forecasting—Bratt, p. 459.

[6] Ibid., p. 460.

[7] America in Midpassage—Beard, pp. 103, 110, 156, 159, 179, 185-9, 495, 589, 658, 683, 864.

catastrophe. So far the stock market crash had wiped out a horde of small time Wall Street speculators. Now the country as a whole was to experience what a real crisis was like. The road was now left open for the full play of the destructive economic forces which led to the debacle of March, 1933, not because the financial wizards were unconcerned, but because they were helpless in the face of overwhelming social laws.

One may well ask how it came about that a crisis beginning with a tremendous financial panic in October 1929 whose repercussions were felt throughout the land should have continued on for three and a half years before the entire mechanism was eventually stalled. The explanation lies in the essentially pragmatic nature of our social relations.

Possessing no definite conception of the laws of social motion we follow the accustomed road and do the familiar things, both the Wall Street wolf and the innocent lamb, crossing bridges when we meet them, and if they are down, setting feverishly to work to replace them or to improvise some other methods of getting over. The New Era doctrine of the 1920's had become integrated as part of the national psychology. "Until the very end of 1930," writes Bratt, "they were still in the New Era in spirit. They did not believe in their hearts that a depression could occur. All that was needed was patience, and it would be necessary, obviously, to hold stock accounts longer than anticipated before a profit from speculative sale could be realized." [8]

Meanwhile the enormous losses resulting from the drying-out process in the stock market had resulted in the decrease of the market value of all securities listed in the New York Stock Exchange from eighty-nine billion dollars in October 1929 to between fifteen and sixteen billion dollars in July 1932.[9] One can readily picture the consequences of this disaster in millions of American homes thus affected, most of whose members were newcomers to the stock market game, and who had entered it during the bull times when everyone seemed to possess the Midas touch in Wall Street.

Account must similarly be made of the paper profits only that were wiped out, but this could not have been so large for the individual speculator, since the current practice was to buy and sell after a rise of a few points. Actual money values were transferred in the process, and these were reflected in bulging bank accounts. For the nation as a whole the entire boom was in paper values, but the resulting deflation actually cleared off millions of individual bank balances, or reduced them materially. All this was reflected in a lowered purchasing power for this large class of investors, and their inability to consume reflected itself in increasing stagnation of the consumable goods market.

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[8] Business Cycles and Forecasting—Bratt, p. 459.

[9] Program for Modern America—Laidler (1936), p. 253.

HOW FARMERS WERE AFFECTED BY THE CRASH

All the contradictions inherent in capitalist economy exhibited themselves splendidly during 1930, if one is permitted to use that expression in a spirit of philosophic aloofness, completely dissociating himself—if one can—from the mass of human misery that the breaking down of capitalist economy entailed.

The wheat growing areas experienced a fortunate combination of sunshine and moisture. An abundant crop was produced by the bounty of nature. In the old days, under a patriarchal or feudal economy, this would have rejoiced the hearts of men. But now it brought only gloom, and forebodings of disaster. The world crop, too, happened to be large. What an ironic blessing to mankind—that is, to the American portion of it—if only the crop in Canada or Argentina or Australia had failed that year! But a sardonic destiny willed otherwise. The visible world supply exceeded the high level of 1929, with an ensuing disastrous decline in agricultural prices.[10]

The laissez faire Hoover theory of government was compelled to get the Federal Farm Board to correct this grave oversight of the Almighty. Through its Grain Stabilization Corporation it entered the domestic market and bought 330,000,000 bushels of wheat. By removing this quantity from the market, it succeeded in pegging the domestic price from twenty to thirty cents above the world price.

This only postponed the inevitable denouement. The government now was the owner of this vast mass of wheat. It could not dump it into the sea, nor burn it, as Brazil did with its excess coffee crop. Should the Corporation sell its holdings abroad the following year in the event of a fair crop, it would be competing against American producers in the same market. Finally in June 1931, in the face of another bumper crop, the Farm Board had to give up its price stabilization scheme and allow the so-called natural law, in this case the law of capitalist economy, to take its course. It did. In May 1931, the pegged price was 83¼ cents a bushel in the Chicago market; in July 1931, after the plug was pulled the price dropped to 57 cents, with disastrous consequences to our wheat growers.

But that did not end the woes of government. It so happened that during the same year of 1930 nature played one of its common pranks. While it blessed the wheat fields with both abundant sunshine and moisture, the corn fields were denied the all-essential rains. As a consequence the Middle West experienced a very severe drought. In many places the crop was a complete failure. Once more a laissez-faire government was compelled to step in. Funds were appropriated to relieve human suffering and to prevent the starvation of livestock over large sections in our Corn Belt.

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[10] Business Cycles and Forecasting—Bratt, p. 460.

LAISSEZ-FAIRE YIELDS STUBBORNLY TO ASSUMPTION OF SOCIAL RESPONSIBILITY

Here from totally opposite factors affecting the wheat and corn crops, the government was compelled to intervene as a matter of policy. Neither abundance nor scarcity could solve the internal dilemma of commodity production on a capitalist basis; the one caused the government to step in because the price of wheat fell too low; the other because the price of corn was too high; or in any event, large masses of corn producers did not have the money to buy corn for their livestock at any price, let alone to obtain the necessary sustenance for the human stock.

The troubles of the unfortunate Hoover Administration were just at the beginning of the incline. The Federal Farm Board through its Cotton Stabilization Corporation went to the rescue of the producers of that staple. First the Board lent up to 16 cents a pound on cotton, without recourse, to sustain the price; then the Corporation had to come in and buy up the whole of the 1929 carry-over amounting to no less than 1,300,000 bales to maintain that price level. When however, it was confronted with another bumper crop, even the United States Treasury, in the opinion of Hoover, could not stand the strain, and once more the plug was pulled. The price of cotton reached its "natural" level at around 6¾ cents a pound with disastrous consequences to the South.

What with carrying charges for storage at $7.20 for a bale of cotton a year, and 18 cents for a bushel of wheat, combined with its other losses the Federal Farm Board soon showed a loss of $185,000,000 in two years of its existence.[11] Hacker presents by far the most complete understanding of the role of agriculture in modern capitalist economy. A policy of nationalism required the support of domestic agriculture; yet the requirements of the capitalist world market meant that American agriculture in staples had to meet the competition of the world market.

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[11] United States Since 1865—Hacker and Kendrick, p. 650.

Agriculture was now a thoroughly mechanized business. The farmer had to buy in a highly protected American market; this could not be otherwise if American industry was to maintain its position. On the domestic market the farmer had to sell around the world price, unless this was artificially raised through such temporary devices as those resorted to by the Federal Farm Board.

CHRONIC DILEMMA OF AGRICULTURE

Tariffs on staples were of no benefit to the farmer because he was confronted with a chronic over-production at home. The entire problem revolved around these surpluses. Crop yield was not entirely under the control of the producer. Besides, his own economic necessities such as interest requirements, taxes and payments on equipment had to be met. Thus the farmer was bedevilled by the pleadings of the Farm Board to limit his acreage, while his cash needs compelled him to produce as much as he could; the lower the price, the more of his crop he had to market. Sardonically enough, while on the one side economic policy compelled one government agency to exhort crop control, another government agency acting through the Department of Agriculture, together with various State educational colleges and experimental stations were teaching the farmer how to produce bigger and better crops.

Absurd as this appears on the face of it, yet we see at work fundamental forces of our civilization which far transcend the requirements of an historically limited epoch in the human record. There is something deep within the human heart that revolts at the destruction of nature's blessed bounty to man. For thousands of years the human race has toiled and planned and devised schemes to increase the yield of its fields. Society recognized that the whole of its life revolved about agriculture, and that the more plentiful was the crop consistently garnered over the years, the greater opportunity there was for other forms of production which in time reared the intricate pattern of modern civilization.

But the temporal laws of capitalist economy require limitation, scarcity and want in order to maintain an essential economic level. There is no way known to this economy other than reduction of yield or government relief. This leads the epigone to dub capitalism an economy of scarcity and to utter those mystic words, the Price

System. An apologist can easily show that no system of economy known to man except the capitalist system has produced commodities of all sorts in such abundance and at prices within the reach of such large masses. The statistics on population prove that at no other time in history than the present has humanity abounded in such vast numbers, and compared with other epochs, enjoyed on the whole such a large measure of well-being.

But all these comparisons are beside the point. There is no possible analogy between the social relations of a feudal economy and a capitalist economy. Our argument of economic and social dislocation, according to the principles of the Historical Field Theory, possess validity only when it can be shown conclusively that agriculture on a capitalist basis has reached the end of its progressive line; that the productive forces it had created to fructify the soil and pour its blessings upon mankind have now turned into an evil and a curse, and that its internal contradictions cannot be resolved unless a re-organization is effected in our national economy. Furthermore, it must be our duty to indicate why it is that a certain form of re-organization is not only desirable, is not only necessary, but under the prevailing social conditions in America it is inevitable if our great farming population is to maintain that status in life to which they are entitled together with all other members of our Republic.

Writing of agriculture under a capitalist-imperialistic economy, Hacker makes the following forensic pronouncement: "Thus agriculture, which had been the basis of the Nation's economy up to the eighteen fifties, and which, from the outbreak of the Civil War to 1914, through its surpluses, had been the chief factor in the balancing of our international payments, had run through the cycle of growth and decay. It had served a mighty purpose: it had settled the continent and had been largely responsible for the building of our industrial civilization. Looking into the future, one saw, in succeeding years, the ever-growing economic debasement of the American agricultural order, with the reduction of the farmer to a meaner social and political status. Americans of the nineteen thirties were witnessing the closing of one of the great epochs in American history." [12] This picture was true of the 1930's. It is not now, and will not be true for the future.

Economically the slowing down of this deteriorative process has been effected since those lines were written by Hacker through the New Deal agricultural policies, which in essence is a form of government subsidy. But so, too have large segments of our industrial population suffered the moral debasement of being chronic recipients of relief. The end of an epoch is not confined to the American farmer alone. But there is also the opening of a new era.

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[12] The United States Since 1865—Hacker and Kendrick, pp. 652-3.

CRY FOR PARITY BETWEEN AGRICULTURE AND INDUSTRY

While the farmers in 1930-1 were facing economic ruin through the calamitous decline in the prices for their commodities, they were still paying comparatively high prices for industrial commodities. This gave rise to the cry for parity between industry and agriculture on the part of farmer politicians; but none of them could recite the mystic formula by which this desirable end was to be accomplished. Meanwhile farm-land values were shrinking from a peak of 170 per cent in 1920 above pre-war values to a level of 115 per cent in 1930.

At the same time onerous interest payments had to be met on mortgage obligations incurred on the inflated values and high prices induced by the piping days of war. Farm mortgages had increased from $3,599,000,000 in 1910 to $9,468,000,000 in 1930.[13]

The marketing of industrial products over the entire agricultural section was necessarily restricted. But, strange as it may appear, these low prices for agricultural products did not reflect themselves in proportionately lower priced food-stuffs. Bratt claims that this was due to the high wage rates of labor still employed.[14] It would be nearer the reality to state that the food processing industries had fallen under semi-monopolistic control and continued to maintain high price levels far beyond their economic justification.[15]

But what price level is just and equitable? These terms are foreign to capitalist economy. The fundamental rule is to charge what the traffic will bear, and the knowledge that definite production costs must be met to stave off disaster. The ultimate tendency of every capitalist producer is to occupy that commanding position in his field where the law of diminishing returns will control the margin of his production. Capitalism never produced primarily to satisfy human wants. That was always incidental to the main purpose, which was to make the greatest profit at the least possible cost. All else is incidental.

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[13] Program for Modern America—Laidler, p. 184.

[14] Business Cycles and Forecasting—Bratt, p. 460.

[15] Ibid., p. 517.

TINKERING WITH THE PRICE SYSTEM

It is ridiculous to inveigh against the profit system. It has performed a great historic function, namely, to bring into existence the present economical methods for the production and distribution of commodities. But the internal laws of its own economy have created the condition where it is now a stumbling block to further social progress. This has been asserted by many, and proven by some. But nothing worth while will come of all this talk until it can be clearly demonstrated that the old ways of getting things done is gone for good, and will never return under the present social organization which can know from now on either relief or production of the instruments of war.

Once capitalism ceased to realize its historic purpose under classic competitive conditions of the best product for the lowest price, its progressive historic role in society was ended. Those who speak glibly of the Economy of Scarcity and the Price System confuse the superficial evidences for the underlying cause. The remedy cannot lie in tinkering with prices or producing for use, as is the fetching slogan of the Commonwealth Federation in our Northwest and in Canada. The real problem lies deep within the bowels of the social order itself, and the first step in endeavoring to circumvent these evils is to know how they came to be brought about.

Bratt achieves some noteworthy results in his pragmatical analysis of the ideas on price fixation as advanced by speculative economic theorists who are divorced from contact with the reality of the everyday capitalist world. He takes up Hayek's theory of neutral money, by which is meant the heightened circulation of money through increasing the number of its turn-overs by effecting the more rapid exchange of consumers' goods.[16] Thereby prices will never get out of line, because the rapidity of turn-over would increase the purchasing power of a given quantity of money which could be manipulated through the credit mechanism.[17]

Hayek's theory is but a modern adaptation of Ricardo's quantity theory of money in reverse since he starts with the problem of goods where the profounder thinker concerned himself with exchange. All these schemes result from a mistaken conception of the function of money in capitalist economy. Because all accounts and payments are kept and made in money, the assumption is too readily made that the money mechanism is the heart of the economic system. It is not.

[16] Business Cycles and Forecasting—Bratt, p. 298.

[17] Ibid., pp. 518-9.

Most exchanges in essence are really nothing more than a three-cornered barter where money acts as both the universal solvent and emolient and is in evidence only in the settlement of balances. But underneath all is the controlling law of value in capitalist society.

Under capitalist economy certain requirements must be met in the realization of value in prices, or the process of reproduction stops. These conditions are that the price must normally cover the cost of production plus the average rate of profit, which together form the price of production. It may be granted that few producers know what is their cost of production, but all know, they must know sooner or later, whether they are meeting expenses and making money. Prices vary according to conditions, but there are limits beyond which prices cannot go and still result in the continuance of the process of production.

Goods in existence may be sacrificed at any price, but this cannot be followed in their replacement. Bratt is therefore justified in criticising the evangelism of the theoreticians both inside and outside of the Brookings Institution [18] who advise that business men should shun monopolistic practices and reduce their prices as their costs decrease. These noble-spirited thinkers and clumsy tinkerers of the economic system are akin to the innocent lambs in the forest infested by wolves.

FRANTIC EFFORTS TO STOP THE DECLINE

Production ceases eventually when a profitable market cannot be found. While this proposition is axiomatic, the process of curtailment is not automatic. There is always the buoyant expectation that things will pick up, that prosperity again is just around the corner. The Lords of Creation, in Beard's sardonic phrase, are basically practical men, despite their absurd philosophic posturing. All they know is business at the same old stand, and when business falls they are willing to go out and try to get it in the good old-fashioned way.

As the crisis deepened in 1931, all the old nostrums employed during previous crises were resorted to in order to bring business out of its tailspin. Credit was exceptionally plentiful, and the New York Federal Reserve rediscount rate was cut to 1½ percent, a new low level for the United States, as indeed for central banks anywhere.[19]

Yet business kept on declining. The responsible government officials kept on issuing cheerful bulletins and patriotic exhortations, but "the measures taken to combat the evil effects of the crisis of the fall of 1931 were the old ones of postponement." [20] Bratt bitterly condemns this Micawber-like attitude, but he has nothing to suggest as to what should or could have been done. The painful truth is that the entire responsible leadership of our political, economic, and ideological worlds were incompetent to analyze the pathological condition of society because they were ignorant concerning the normal physiology of their own social system.

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[18] Business Cycles and Forecasting—Bratt, pp. 519-20.

[19] Business Cycles and Forecasting—Bratt, p. 462.

Again nature played them a mean trick by duplicating the unfortunate agricultural pattern of 1930. The wheat and cotton crops of 1931 reached nearly all-time records,[21] and the whole of society was to suffer intensely because of an abundance of nature's bounty.

Meanwhile the great Darmstadter Bank in Germany failed with liabilities of around five hundred million dollars. A moratorium on German reparation payments was necessary, though it was shown that from 1924 to 1930 Germany had received in private and public loans from foreign sources eighty percent more than she had paid out in reparations during that time. This, of course, does not justify the insane exactions of the Versailles Treaty, but it does prove what peculiar turns such a policy can take. The Allies and their supporters actually laid the basis for Hitler's future war machine by their loans which went into industrial modernization, all in the due course of business; while the same Allies resented in the most positive terms any modification of those onerous treaty provisions which would have strengthened immeasurably the democratic regime in Germany, and have made Nazism there impossible as a dominant political force. The Dawes and Young reparations plans were mere temporary restoratives.

During the same year England went off the gold standard, with the result that the pound fell by one third. This gave English exporters a decided advantage in the foreign markets over American traders. A flood of foreign selling of American stocks to get high priced American dollars caused another calamitous drop in Wall Street prices. In two months no less than eight hundred and twenty-seven American banks closed their doors. Even the Hoover Administration took fright at such a terrific mortality, and a policy of financial assistance to weak banks was evolved, which later was to germinate under the same laissez faire aegis into the Reconstruction Finance Corporation.

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[20] Ibid., p. 466.
[21] Ibid., p. 464.

COLLAPSE OF CORPORATION DIVIDENDS

Meanwhile purchasing power was being reduced in both durable and consumer goods. Beginning with 1930 an ominous sign appeared in the record of income disbursements made by corporations. Payments were being made out of surplus. On its face, there is nothing wrong with that; surpluses are accumulated just for the purpose of taking care of the lean years. But the hesitancy of business to resort to that measure except in times of grave stringency is proof of its inherent unsoundness. Every stockholder, of course, enjoys an occasional cutting of a melon from accumulated profits, but that is generally in addition to the usual dividend. It is a portentous circumstance when present dividends must be paid out of past earnings. The last time that had occurred was during the depression in 1921.

But an even more unprecedented event was to exhibit itself as the Great Depression deepened in 1932. In that fateful year even part of wages had to be met out of surplus.[22] That was the last straw. An enterprise can get along for a while meeting interest, rent and part of its customary dividends out of surplus. But when current revenues will not meet the wages expense, then something drastic must be done.

It was. Coming events were foreshadowed in 1931. Business resorted to drastic wage-cutting in order to forestall that disaster. The number of wage-workers was reduced. Speeding up was effected for industry that was functioning. Hours of labor were increased. And thus we have exhibited another of those anomalous contradictions of capitalist economy, that at the very time when millions of workers tramped the streets in the vain search for employment, those who were still employed had to work longer, to work harder, and for less wages.

EFFECTS UPON EMPLOYMENT AND WAGES

In 1929 almost thirteen million industrial workers were employed, earning over eighteen billion dollars. About one and a half million workers attached to industry were then out of work, making a percentage of unemployment of eleven percent. The average annual earnings of the employed workers was $1,424, and if distributed among all the workers in industry employed and unemployed, would average $1,262. In 1932, only seven and a half million industrial workers were employed, leaving about seven million attached workers out of a job, or forty-eight percent. The aggregate annual earnings were seven and a half billion dollars, or $982 average for the employed and only $513 for all those attached to industry.[23] For these enlightening statistics we are indebted to Spurgeon Bell and to the Brookings Institution which made his work available to the public.

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[22] Productivity, Wages and National Income—Bell, p. 31.

ANOMALY OF CRISES INDUCING TECHNOLOGICAL ADVANCES

Another remarkable phase of the Great Depression was that at the very time when a large proportion of the national production plant was lying fallow, feverish efforts were undertaken to speed up production in the working plants by means of technological improvements.

This apparent inconsistency is dictated by the inherent laws of capitalist production. The impelling motive is to reduce the costs of production of the individual plant below the average of the field. This will enable the producer so favorably situated to sell his product at less than the average, and still make a bigger profit. This is one of the historic factors in the technological development of production, which Marx analyzed in his great law of the production of relative surplus value. Every crisis accentuates the concentration of capital and its centralization through the expropriation of the less fit in the struggle to survive.[24] Each producer financially strong enough takes advantage of the opportunity to occupy a larger portion of the market, and among his most effective weapons is the introduction of technical advances which tend to reduce the social unit cost of his product and still enable him to reap richer rewards.

That this is not a fanciful Marxian abstraction is evidenced by the documented reports. Bauer states that on the basis of the data extant, in October 1939 the level of production had reached about the 1929 level. However, during the intervening years the hours of labor had been reduced from an average of over forty-nine to around thirty-nine per week, or twenty percent. Upon the basis of production intensity that existed in 1929, there ought to have been an increase of employment of over one and a half million workers. Actually in these comparable industries there was a decrease of five hundred thousand among the industrial workers in 1939.[25] Yet he is puzzled by these facts, since he clings to the idea that the introduction of labor-saving devices was retarded rather than advanced by the depression.

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[23] Productivity, Wages and National Income—Bell, pp. 21, 236-8.

[24] Capital—Marx, Vol. III, p. 283.

[25] National Welfare and Business Stability—Bauer, p. 42.

Marx analyzed the course of economic crises during the heyday of competitive capitalism in England. After pointing out that the stagnation following a crisis results in lowering wages below the average in order to maintain the rate of profit, the capitalist producer is driven inexorably to discover other means for increasing his individual rate by recourse to technological improvements. Therefore he searches around for "new machines, new and improved working methods, new combinations, which means, to increase the productive power of a certain quantity of labor, to lower the proportion of the variable to the constant capital and thereby to release some laborers, in short, to create an artificial overpopulation." [26]

In this law of the creation of relative surplus value lies hidden the key to the entire technological advances of industrial capitalism during the progressive and competitive stage of its development. Thus is explained that strange anomaly in capitalist economy that at the very time when millions of workers haunted the closed factory gates in the vain search for work, that part of the producers actually engaged were compelled to resort to improvements of their plants. Writes C. F. Hughes, the keen observer of the merchant's point of view: "Over the years from the collapse of 1929 and the dark days of 1932 there has been a remarkable increase in the mechanization of industry," [27] but, he continues, with an increasing disparity between prices and wages.

Bell re-inforces with the data available in 1940 the economic processes analyzed by Marx in 1863. He points out that the man-hour of employment declined a little more than 16 per cent between 1924 and 1937, notwithstanding an increase of about 25% in the volume of production. This increase in productivity was accompanied by a proportionate decrease in the wage cost per unit of output.[28] Data has already been presented to prove that the greater immediate gains of increased productivity go to the industrialist, where they remain in monopoly and semi-monopolistic enterprises.

HOOVER'S RECONSTRUCTION FINANCE CORPORATION

Here, then, is another interesting phase of capitalist economy. It was no novel experience to see well-favored industries reaching the heights of prosperity at the very time when the rest were wallowing helplessly in the slough. In spite of all its laissez faire philosophy, the Hoover Administration was compelled to intervene actively to prevent complete collapse of the economic structure. With that object in view, it sanctioned the creation of the Reconstruction Finance Corporation with a permissive capitalization of two billion dollars. Only five hundred million dollars of capital was initially subscribed by the United States government in its wholly-owned corporation.

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[26] Capital—Marx, Vol. III, p. 299.

[27] C. F. Hughes in New York Times, August 25, 1940.

[28] Productivity, Wages and National Income—Bell, pp. 234-40.

The R. F. C. was originally empowered to make loans to banks, savings banks, trust companies, building loan associations, agricultural banks and railroads, whose solvency was threatened by the temporary illiquid nature of their assets.[29] Although its existence was limited to one year, during which period it was thought the backbone of the crisis would be broken, it has continued on to this day with periodic extensions of life granted by Congress, because in the hands of the New Deal it has become one of the essential props of our economy.

Only through government aid in the form of R. F. C. loans was it possible for huge banks and railroad enterprises like the New York Central and Baltimore and Ohio to survive.[30] The underlying theory was that if money is poured in at the top of the economic funnel, it must penetrate through to the bottom; by helping business to survive, we were helping labor, the government and the entire social structure. On paper, it all looked plausible enough; in practice, matters did not work out that way.

It soon became evident that the funnel theory was wrong, and that the more appropriate analogy would be the Sahara Desert illustration. For the money poured in with a lavish hand at the top did not trickle through the layers to the bottom. Somewhere it got sucked up into side pockets. These pockets were to liquidize the pressing bank loans, to meet corporation bonds falling due, to pay interest requirements in obviating foreclosure, and, if you please, even dividend payments on preferred and common stock were made on the claim that it was necessary for our prosperity to hold up the values of the nation's prime securities, and incidentally to put purchasing power into the hands of our better classes.

These financial rescue measures helped temporarily to sustain the enterprises that were favored by R. F. C. support. But underneath it all nothing was accomplished to set production going again and paying out income to the masses through the pay envelope each week. Labor was being laid off in larger numbers. Hourly wages were being cut drastically, while the stock market took another sensational drop in the middle of 1932. An average of four hundred major issues showed a price level in June barely over half of that at the beginning of March.[31] Bank failures increased, while individuals and businesses, anxious to prepare themselves against their day of judgment—the due dates for their obligations—began to husband their resources by hoarding.

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[29] Government Corporations and Federal Funds—McDiarmid (1938), p. 32.

[30] America in Midpassage—Beard, p. 63.

PATCHING THE BANKING SYSTEM

Another measure for the relief of banks was the Glass-Steagall Act which permitted Federal Reserve banks to substitute government bonds for the required eligible paper pledged against Federal Reserve Notes. According to the requirements of the banking law prior to that enactment, each Federal Reserve note had to have a gold reserve of 40 percent with the rest in discounted commercial paper. But business had fallen to such a low level that sufficient eligible paper could not be found. It would have been absurd to contract the currency at the very time when money cranks were crying for more and more of it, though every student of the subject knows that it is not the lack of currency which causes the depression, but rather the slowing down of currency turnover.

Too much valid money thrown into circulation must result in its backing up into unused hoards in the banking system. The only effect of the Glass-Steagall Act was to maintain a larger currency in circulation than was necessary. Still the prime problem was not solved—that of starting production going again, resulting in the creation of new wealth, and greater values to be distributed among the economic categories in the form of rent, interest and profit of enterprise, and wages. It does not require much penetration to discover that from a social point of view, the net gain to society in revenues is increased only by increasing their absolute number in real values, and not by shifting the distribution and re-distribution of a smaller net social income more equitably among a larger number of recipients.

Hoover recognized the evil of taking from Peter to give to Paul when he opposed the establishment of government relief for the unemployed as a fundamental national policy. No matter by what legal legerdemain it is accomplished, the ultimate result is that part of the income of one portion of society is taken to supply a deficiency among another portion of society. For this reason Hoover strongly opposed "doles" to workers or to farmers.[32]

[31] Business Cycles and Forecasting—Bratt, p. 468.

[32] United States Since 1865—Hacker and Kendrick, p. 736.

"Up to the end of his administration in 1933," write Lyon and Abramson, "President Hoover insisted that responsibility for administering a relief program lay entirely with state and local governments and voluntary agencies, and he opposed the outright grant of funds by the federal government for relief purposes, no matter how administered. The Roosevelt administration took a broader view of federal responsibility. By 1933 conventional attitudes toward relief were rather thoroughly dissolved, so that there was little opposition to the program of action upon which the federal government entered."[33] It is a rather strange sort of thorough dissolution when over fifteen and a half million votes were cast for Hoover only a few months previously in the great national referendum. It was not so much a modification of conventional attitudes which changed that outlook, as the imperious necessities when they unfolded between November 1932 and March 1933.

It is significant that Roosevelt himself campaigned in 1932 for getting the government out of business, for reducing government expenditures, for curtailing the bureaucracy as it developed under his predecessor, and lastly for balancing the budget.

There is no question that the popular mind was much impressed by the dangers of the dole as pictured to them by every organ that enters into the formulation of public opinion. If the people, or rather twenty three million of them, voted for Roosevelt, it was only because most of them had suffered tragically for three years, and they wanted a change; not a particular change, but something different, if only by way of changing their luck. Few of them knew then what they really wanted, outside of an earnest longing for the good old happy days.

Significantly enough, a current popular song by that name was the Roosevelt campaign theme song. Who can conceive of an American Presidential election without some popular song? A more appropriate one to the current times would have been that famous blue song being warbled over the radio: "Brother, Can you Spare a Dime?"

THE CREEPING PARALYSIS OF INDUSTRY

As the creeping paralysis of the economy affected larger segments of the nation its reaction was registered by the increasing number of unemployed. This great modern social evil is inherent in the separation of the worker from his means of production, where the mechanism of production becomes the property of another, and the worker of brain or hand must hire himself out for labor or starve. We have noted unemployment during the earlier industrial history of the United States. The small producer, the petty owner of his means of production may be empty-handed for lack of custom, but he is not unemployed, though definitely suffering from poor business.

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[33] Government and Economic Life—Lyon et al. (1940), Vol. II, pp. 1165-6.

If every small retailer tending the counter with the assistance of his wife and perhaps of the grown children who faced ruin were included among the unemployed in 1932-3, the total would indeed by staggering. Very properly only those are so denominated who must sell their labor power or services to an employer for wages and salaries. The farm-owner may be worse off than his farm-hand, but only the latter is counted among the unemployed when let go. The farmer himself may join the ranks of the agricultural unemployed after he has been foreclosed.

In the Spring of 1933, Corey estimates, the total number of unemployed listed in categories such as manufactures, transportation, building trades, mining, agriculture, trade, personal and professional services numbered 17,252,000.[34] Other estimates give a different result because they are based upon different methods or periods of computation. But in essence they are strikingly the same.

So, for example, Business Week for January 18, 1933 estimated unemployed as of November, 1932 amounting to 15,250,000. The American Federation of Labor gave out the total after its study as numbering 13,689,000.[35] This figure considering its source, has frequently been quoted as accurate by conservative elements to prove that while the picture was bad enough, it was not as black as it was painted. Beard is willing to go along with a total of around 12,000,000 in February, 1933.[36]

The exact number is immaterial for the purposes of this discussion. What is very much to the point is the fact that after ten years of unprecedented economic disorganization a government which has long been able to give pretty accurate statistics on the number and kind of cattle in the United States and state accurately the amount of electrical energy generated by steam and the gravity of falling water, is to this day unable to present us with anything but the merest guesses as to how many were unemployed at a given time. The reason for this hesitancy in gathering authoritative statistics is obvious. We were too much ashamed of the mess the country was in to gather this data of our national disgrace.

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[34] Decline of American Capitalism—Corey, p. 248.

[35] Program for Modern America—Laidler, p. 24.

[36] America in Midpassage—Beard, p. 64.

CAPITALISM'S INABILITY TO SOLVE UNEMPLOYMENT

This remorse is all the more poignant because there is the tacit admission involved in such a procedure that the old laissez-faire philosophy is doomed irrevocably; that the glorious dream of the nineteenth century was ended where private initiative in industry and agriculture would always take care of those able and willing to work, while private charity would provide for the rest. The inability of capitalist economy to give a job to all those seeking employment is the public confession of its utter inadequacy to cope with the social problem it has itself created.

Capitalism began by creating work for willing hands. Its own internal laws of motion have now brought forth a huge permanent army of unemployed, and it was itself afraid to make note of how large that army really was. For many years we waited in the vain hope that the slack would be taken up somehow by private industry in productive occupations. It ended on the Hitler note by expanding armament production as the only way out. First German, and now American workers by the million were to be absorbed in the only kind of production that does not compete with, but on the contrary, stimulates private production.[37]

For the German worker the slogan had been some variation of Lebensraum; for the American worker it was to preserve democracy, or at any rate the Monroe Doctrine for the Western Hemisphere. So did Secretary of Labor Perkins hail with delight this remarkable achievement of American economy that at long last after eleven years of fateful waiting American industry in 1941-2 would absorb the major part of the chronic army of the unemployed—in the production of instruments of war. (N. Y. Times Jan. 5, 1941.) We do not oppose this re-armament program; on the contrary, it is a program long overdue in the existing historical circumstances. But we deprecate most strongly the social system which can find employment for its willing hands only on the battlefield or in the munition factory.

Crises and war, these are capitalism's offering to modern society as it approaches the end of the line in its long career during which it created the most glorious civilization yet known to the generality of mankind, and is now as actively engaged in destroying what it has brought forth.

Unemployment is not a recent phenomenon. Even during the best of times when capitalism was on the up-grade approaching the richest exfoliation of its productive powers Paul H. Douglas estimated, after exhaustive investigation, that the average rate of unemployment in this country during the thirty year period from 1896 to 1926 was over ten percent; while Isador Lubin indicated that even during the lush years from 1922 to 1929 eight percent of the industrial workers were out of jobs.[38] Corey gives the figure for the latter year as 1,250,000 for the shifting army of unemployed industrial workers,[39] and it is a fair assumption that during the best of times there were always two million out of jobs. Naturally the individual components of the total number are constantly changing and fluctuating as some are taken back and others are let out according to the requirements of a particular industry. Some labor is seasonal by nature; others suffer the throes of exhausing overtime during the rush periods, and then from the lassitude following the equally exhausting periods of slack.

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[37] Alexander D. Noyes in New York Times, Nov. 11, 1940; also Jan. 5, 1941.

B. Problems of Population

ORIGIN OF THE INDUSTRIAL WORKING CLASS

Capitalist economy must have at its command a vast potential army of available labor power. If such an army does not exist, it must be created if the competitive system is to survive. Various methods have been resorted to during the history of capitalism to create this essential reservoir of labor to be bought in the market place like any other commodity, and whose value and selling price is regulated by the same essential factors as any other commodity.

In England the proletarian army was recruited initially from among the dispossessed peasants who were removed from the heath of their fathers when the feudal lands were enclosed as the private property of the aristocracy. Later on, the introduction of machinery and steam power, as in power-loom weaving, threw out of work large masses of hand-loom weavers. Introduction of women and child labor, the speeding up system, long hours, all these played important roles in supplying English factories with necessary labor power for its expanding industry. At the same time, the cheapening of commodities together with the higher total family income due to many of its members being employed, all played a role in increasing the effective labor population according to the requirements of English capitalism. The nineteenth century witnessed an enormous actual accretion to the population of Britain, though a decline took place in Ireland, for reasons previously discussed, when her fate was determined by the powers in London to serve as a source of food supply for her conquerors.

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[38] Quoted by Laidler in his Program for Modern America, p. 24.

[39] Decline of American Capitalism—Corey, p. 242.

In the United States capitalist economy in the North looked for its labor supply from the prolific human warrens on the land, and later from immigration. But the beckoning reaches of the frontier called loudly for this excess population, as well as to peasant immigrants from Europe. It was this chronic labor shortage that gave such a powerful impetus toward technological advancement to make good through machinery the shortage of living labor.

To this very day, observers are impressed that far too much human labor is employed in European industrial production compared to American practices, and the reason is simply that it is cheaper for the European producer to employ low-paid labor than to install expensive devices whose interest and amortization costs are greater than the labor it displaces. In the United States the comparatively higher wages destroys the basis for such prudent calculation.

But even here heroic measures had to be adopted to create reservoirs of surplus labor. Many factors contributed to achieve this result, not all of them the direct consequence of capitalist foreplanning, though it redounded to the advantage of that class. We have noted the tendency of immigrants to congregate in colonies. This is readily understood when we consider how strong must be the centripetal forces binding together a kindred people in a foreign land when they are made aware on every hand of the gulf between them and the native born through differences in speech, customs, and traditions. Not all Native Americanism movements, be it noted, were the result of dastardly capitalist plots. Human nature still has something to say about that.

Congregating in the large industrial centers as racial groups, there was the tendency to stick together and around the industries where they were chiefly employed. Letters to the folks in the old country were the strongest possible incentive to further immigration, and the history of American industry will show that the backbone of America's back-breaking labor was reared in foreign lands. Native-born Americans took to the white collar jobs, the professions, to business and politics, which included the growing civil service. The dream of every aspiring young son of an immigrant was to enter the preferred white collar class.

LIMITED HISTORICAL VALIDITY OF THE LAWS OF POPULATION

Among the many great contributions of Marx to the science of society is that every mode of production creates its own law of population, and that this law varies with the requirements of a given mode of production. It is most regrettable that our professoriate has been too busily engaged in refuting Marx to have taken the trouble to understand him. The most conclusive scientific rebuttal to Malthus is found in the pages of Marx's great work, and eighty years after his principles were conceived the facts of contemporary American life bear him out to the last affirmative result.

When American industry was progressive, American population was buoyant; with chronic insecurity and uncertainty concerning the future, even devout Catholic parents have been compelled to overlook the precepts of the Church. In a remarkable passage dealing with the mathematical aspect of the principles of population underlying capitalist economy Marx proves why on that basis there must be a chronic and constantly rising army of the unemployed until either stagnation sets in, or the basis of social production is completely changed. "Relative overpopulation," he concluded, "does not arise out of an absolute disproportion between labor and the means of subsistence, or of the means for the production of these means of existence, but out of a disproportion due to the capitalist exploitation of labor, a disproportion between the growing increase of capital and its relatively decreasing demand for an increase of population." [40] The inherent laws of capitalist production compel a high organic and technical composition of capital with relative displacement of living labor.

The results so far published of the United States fourteenth decennial census prove conclusively the declining rate of population precisely in those sections of the country where capitalist economy is most stagnant, and an increase principally in the South where capitalist economy has entered in a large measure only during the past thirty years. Northern cities show a consistent decline of relative growth, and some even a loss during the past ten years, reversing the trend of a century.[41]

General Wood of the great mail-order house of Sears, Roebuck and Co. notes that the South is now enjoying a resurgence, at the very time when rigor mortis is slowly enveloping the rest of our

[40] Capital—Marx, Vol. III, p. 260.

[41] Delbert Clark in New York Times, July 14, 1940.

economy.[42] As for the North, Wood points out that the decline in the birth-rate has assumed the gravest proportions, having fallen from an average of 26 per thousand in 1915 to only 13 per thousand in 1937.[43] Like a prudent business man he sees no further than his company's pocketbook, which must now consider the fact that there are less children to buy toys for than there were twenty years ago; [44] but he will probably even matters up by stimulating a demand through clever advertising for the more expensive ones.

We cannot, like Clark and the rest sit back and soliloquize upon the fact that we are getting to be a middle-age nation. All this tommy-rot which passes for philosophic speculation is but an evidence of utter inability to cope with the real problem of modern society; namely, the economic disorganization which compels limitation upon the size of families and to kill off the adults on the battlefield. This standstill population ushers in a period of economic, physical, social and intellectual stagnation before America has had an opportunity to realize a fraction of the great potentialities inherent in its people, and its institutions, and its resources, if they could be mobilized for the intelligent development of our material and spiritual wealth.

STARVATION BECAUSE OF PLENTY

High sounding phrases or invocations will not accomplish that. The problem was posited to the American people in 1932-3 when the army of unemployed began to reach astronomic proportions, figuratively. There is nothing inevitable about unemployment. It is not an act of God, nor the result of inexplicable or unavoidable processes of nature. Only on the basis of the existing social structure does society suffer from a superfluity of farm products, so that millions in cities have to go hungry because the farmer's surplus has destroyed the value of his crops, and he cannot buy the goods the unemployed industrial worker would gladly produce in exchange.

In 1932 the national economy had fallen in such a state of collapse that barter clubs sprang up in twenty-nine states, while one hundred and forty-four communities witnessed the use of wooden money or self-liquidating scrip in order to effect an exchange of products.[45] For over four hundred years the most progressive portion of mankind had developed an intricate and effective method of domestic and world exchange; yet here in enlightened America a people whose very technology had taught them the value of time and the economy of effort, now literally squatted in bartering places like some ancient Oriental people attempting to effect some puny exchange.

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[42] New Outlook in Business—Batchelor (1940); article by Wood on Population Growth, p. 52.

[43] Ibid., p. 50.

[44] Ibid., p. 51.

[45] Stuart Chase, quoted by Beard in America in Midpassage, p. 66.

The absurd Pollyanna antics of such high-pressure advertising experts like Resor and Johnson would be ridiculous if they were not so tragic in their consequences, did not our leaders listen to their gospel that America to-day has more jobs than men. Their wordy barrage is based on a simple mental trick which is none the less effective in putting their idea over both among the epigoni and the hoi-polloi: Would you sell America short? Is there any limit to the possible economic wants of our people? Look at housing, at needs for transportation, communication, clothing, amusement, recreation! Why the possibilities are absolutely staggering when we consider the present unfinished state of the nation! [46]

One sometimes wonders if these high-pressure gentlemen really think that everybody is as simple-minded as they pretend them to be. Modern economy is not geared to produce things for human enjoyment. It produces things for a profit and stops creating them if they cannot be sold, regardless of the potential demand. Unlike these miracle-working advertising prestidigitators, the mere statement of America's possibilities is not synonymous with the possibility of actual achievement under existing social arrangements.

How is this to be done? All they can offer is the plea that Congress and the people let the geniuses of private enterprise alone, and everything will be all right. This was the substance of the Willkie campaign plea in 1940. It was an effective one; but yet not potent enough to prevail over the majority of the electorate.

These champions of laissez faire had the road for themselves up to 1933 and where did they bring us? By what right can they ask the people to surrender whatever control they now have over their destiny and put it once more into the hands of the very men who had led the nation into the present debacle? How will they bring to pass the things Resor and Johnson say so enticingly will inevitably follow, once they are given carte blanche again? We have a right to demand a bill of particulars before they have a right to ask for the surrender again of the social mechanism into their hands, a step fraught with such infinite peril to over one hundred and thirty million human beings whose fate in a large measure would depend upon their acts.

We have already seen that capitalism does not exist to create products merely to satisfy human wants, but to produce only when there is a profit. These artists of the silver pen will have to prove how houses can be built for people who have not the money to buy them, or earn the rent to live in them, though they are ready, able and willing to work for their pay.

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[46] New Outlook in Business—Batchelor; article by Resor and Johnson, p. 294.

Oh, yes, we have heard that little story before—Production creates jobs; jobs mean purchasing power; and plenty of that makes the world go round. The problem is in getting production started. Production will not get very far, particularly in capital goods, unless there are purchasers. Even in the very housing about which these clever artists of the advertising brigade speak so large, the present government is willing to give entrepreneurial capital a head start by financing both producers and purchasers, and yet no appreciable advance has been registered in that essential industry outside of the gain due to the war production frenzy.

The problem is a little more involved than these word experts pretend it to be. For surely they must know more than what they appear to urge.

An enlightening article was published in the very same volume to which they contribute, wherein H. W. Prentiss, Jr., offers some very Christian advice to his fellow industrialists to mend their improper practices if they would regain the confidence of the American people. Unfortunately the pious gentleman is specific only when it comes to condemning the autocratic tendencies everywhere evident of government going into business.[47] He neglects to tell us why private industry in such large measure went out of business, so that government had to step in to fill the vacuum, partially.

TECHNOLOGY AS BOTH A CREATOR AND DESTROYER

Every mode of production has its own law of population. This is one of the most fundamental laws in modern society, though applying with equal validity to every era of human existence. Upon the basis of the present mode of production in the United States large masses of its population are already supernumerary. We saw this on every hand; in the millions of chronically unemployed for over a decade who cannot be absorbed into normal private industry; in millions being kept in humiliating peonage for fear that a cotton picking machine will put additional millions of Negroes out of productive labor; and in the recurrent attempts to curtail production for the individual worker so that the jobs may be spread for a greater number.

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[47] New Outlook in Business—Batchelor; article by Prentiss on Challenge to Industry, p. 316.

Capitalism which in its prime throve on machine production now must experience the ironic fate of its very existence being threatened by the Frankenstein it created. "It seems particularly to reduce the aggregate labor that can be effectively employed in the industries which fit the form of private organization, especially in the fields of manufacture," writes Bauer,[48] while the only solution he can think of is to enlarge the number who are employed in governmental developments.

This is characteristic of those solutions arising out of subjective rationalization rather than from an objective study of the laws of motion of contemporary society. Bauer is very hazy concerning the nature of these enlarged governmental activities, though he is specific in emphasizing that there must be no conflict between them and legitimate private enterprise.[49] His tacit concession that private production has about saturated the effective economic demand for its commodities, suffers from the error of assuming that such a mode of social organization is absolutely determined instead of possessing an historical, and therefore a limited validity. "A surplus is not an evil in itself, but it is an evil under the capitalist mode of production," wrote Marx.[50] People may not like Marx, and even less the implications contained in this characteristically caustic conclusion, but that does not destroy the validity of his scientific contribution to the analysis of modern society.

Upon the basis of the existing economic order many millions of our population are ill-fed, ill-clothed, and ill-housed, as the great humanitarian, President Roosevelt put it. Bauer would have the greatest difficulty in picking out suitable spheres for governmental activities, and the only ones so far discovered that meet with general approval by the beneficiaries of the existing system is in military preparedness.

There is no limit to such expenditures, nor upon the number of people it can absorb. Hitler has already shown the way, and America in self-defense is now embarked upon that course, entailing the most useless and anti-social spending of vast sums in a vain attempt to get out of the vicious circle in which modern society now revolves—from chronic crises to war and so through feverish prosperity again to crisis and so back to the starting point of destroying what it had created.

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[48] National Welfare and Business Stability—Bauer (1940), p. 29.

[49] National Welfare and Business Stability—Bauer, pp. 32-3, 66-70.

[50] Capital—Marx, Vol. II, p. 546.

Unemployment in productive industry is the summation of the contradictions created by modern capitalism. Ever since the stock market collapse in October 1929 the number of those dissociated from their connection with industry began to assume alarming proportions. This unemployment was something more than the psychological reaction of fear that follows every crisis. The leaders of industry, finance and politics issued recurrent optimistic bulletins, but somehow the economic order did not respond either to their ministrations or to their incantations. As the months dragged on and the years began to be tolled without a let-up in the creeping paralysis settling upon the economic life of the nation it became evident that here was no ordinary dislocation of the economic functioning of society.

Unemployment in itself was not the principal evil, though its effects were ubiquitous in a highly integrated society. From its very inception industrial capitalism created three categories of the unemployed—the floating, the latent, and the stagnant. The floating are the masses of labor who are periodically attracted or repelled by industry following upon the seasonal demand, or the ebb and flow of ordinary business; the latent are those affected by the inherent tendency of capitalism to cut down labor costs by technical improvements; and the stagnant are the great labor reserve of those ordinarily unemployable but who are pressed into service during the boom period, or are used for strikebreaking to keep down existing wages.[51]

Between 1929 and 1933 it was increasingly evident that capitalist economy could no longer absorb even its usual quota of labor upon the basis of the prevalent conditions of industry. For three and a half years the whole American people had listened to the optimistic bulletins of its recognized leaders. Matters had developed progressively worse despite all their favorable prognostications. Big business had been kept going by government subvention of a laissez faire administration while the farmers had benefited temporarily by the expensive, if futile, policy of the Federal Farm Board. Only when it came to the forthright recognition of human suffering and its frank amelioration did the Hoover government hold back.

For a time it had that problem literally camped on its doorstep when a group of fourteen thousand unemployed veterans gathered on a vacant plot not far from the Capitol, claiming their bonus, and thus brought their plight and that of their neighbors forcibly to the attention of the nation.

This was "typical of the unreasoning attitude of much of the public" at this time, in the words of Wall Street's theorist, Bratt, because the people finally insisted upon getting some form of affirmative action from the government when their limited financial resources had given out. The dole, any kind of dole to the masses was most repugnant to the leaders of the nation's affairs. All charity was a local duty, it was insisted. But the local funds were now exhausted, and the big-time contributors to the charity chests were now themselves the indirect recipients of government loans to support their corporations.

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[51] Capital—Marx, Vol. I, pp. 703-5.

Matters had come to such a pass in 1932 that even Hoover was compelled to agree to federal assistance to state relief agencies. Having compromised with his unalterable principles that far, he relieved his jangled nerves by calling out Federal troops who violently removed the bonus army from Washington's back yard. Their tents were burned and blood was spilled.[52] Even in this negative result, laissez-faire was fast disappearing as the dominating influence in government psychology.

FAILURE OF LOCAL RELIEF DURING THE DEPRESSION

Typical of the local relief policy was the drive undertaken in New York City to raise funds for those in distress. A committee was organized under the chairmanship of a banker, Harvey D. Gibson, to canvass the city. A motley collection of rich ne'er-do-wells, society women seeking relief from boredom, middle-class middle-aged female go-getters with little brains but plentifully endowed with animal spirits, and a lot of old women of both sexes seeking a vicarious emotional thrill out of pretending to alleviate human suffering, all were gotten together to push this drive to replenish the local charity chest. The all-essential publicity was started full blast. Newspapers printed pictures of enthusiastic diners in the richest hotels ostensibly cutting ten per cent of their ten dollar dinners and donating the dollar to blessed charity. Swanky fifty thousand dollar charity balls were held, principally to advertise some fat matrons who graciously contributed their energy and perhaps some money to the noble cause of relieving human suffering.

Owners of department stores figured in large donations, but it was noted that the larger part came as "voluntary" contributions by their employees in the form of deductions from the weekly pay envelope. Business and commercial houses sent in their checks.

A prize campaign cartoon was plastered all over the city in conspicuous places. In it was pictured Mr. Average Unemployed American. His clothes were shabby but gave the impression of a brave attempt at neatness and at maintaining respectability. His head stood in bad need of a haircut, but the idea somehow was put across that rather he had spent that money to get food for his family. He sat in a chair, head and shoulders drooping dejectedly, with a look of repressed but poignant, genteel suffering and resignation on his countenance. . . . A truly noble American picture to make his more worthy ancestors turn in their graves.

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[52] America in Midpassage—Beard, p. 93.

Somehow, he knew his fellow Americans would not let him down. Nor would they. On one side of him stood a prosperous-looking business man with check-book poised in one hand, while the other was placed patronizingly on the shoulder of this noble inheritor of American self-dependence. He would do his share. On the other side was an equally prosperous-looking woman who looked down condescendingly upon the abject figure of this once noble American, and opened her pocketbook, in which she was fumbling around, doubtless in search of a dime.

After some two months of this disgusting showmanship, the Gibson committee turned up with some nine million dollars, one million less than its goal.[53] And with this sum it was proposed to take care of over a million and a half human beings for an entire year in the City of New York, whose continued survival now depended upon the largess of society! This, thank God, was the last attempt at orthodox methods in relief for those suffering from the depression.

Peoples' stomachs must have sickened at this business; and if not their stomachs, surely their eyes, and their outraged sense of decency as the streets were literally cluttered with able-bodied men and women selling apples and peddling petty merchandise in order to get money for the next meal for their dependents.

Laissez-faire was doomed. All the preachments of suave editors, of slick statesmen, of apologetic professors and unctuous divines in fat prebendaries could not save a social philosophy that was no longer in consonance with the needs of a newer day. To the comfortable sinecurist who whined that people should support their government and not be supported by it, the imperious dictate of the day was that governments are organized to provide for the general welfare; and the general welfare in this case was to take care of the innocent victims of a decrepit economic system—though few recognized that fact then, or admit it now—and to provide them with an opportunity to earn a living by creative labor.

[53] The sum is from memory, and may be off the mark.

THE RIGHT TO WORK IS THE RIGHT TO LIVE

From the welter of conflicting objectives and contradictory theories, one idea had emerged from the debacle of the last eleven years, the right to a job. People will not quibble over-much as to whether that job is to come from private industry or from government employment, but upon that idea the popular mind has developed a singular fixation. The old shibboleths of political ideology will no longer exercise their mystic influence as of yore.

Sooner or later, the question will reach the center of the political arena, as did the issue of independence between 1763 and 1776, and slavery from 1850 to 1861, and Americans will not rest content until the issue of the right to work is settled, and settled right.[54]

During 1932 the Reconstruction Finance Corporation was engaged in a desperate, and as it proved, a losing struggle to prevent the collapse of our economic order. Hundreds of millions were poured out to help the railroads; but the nature of this assistance, true to the Hoover psychology, took the form of subventions to meet their financial obligations, while wage reductions were in order for their workers. By the end of the year the R. F. C. had poured one billion three hundred and fifteen million dollars into private enterprises to keep them from going under.[55] Between February and December of that year loans were made to 5,582 banks and trust companies in an effort to maintain their solvency.[56]

CAUSES OF THE BANK HOLIDAY

Vast masses of bank resources were tied up in illiquid assets, in mortgages on inflated real estate and loans on billions of worthless securities, and industries temporarily lifeless. The rumblings of the coming cataclysm were first heard in Nevada where the Governor of the State proclaimed a bank holiday in October, 1932 in order to save a chain banking system in imminent danger of closing its doors.

In February of 1933 Louisiana was compelled to do the same. The Iowa Legislature as a precautionary measure authorized its Superintendent of Banking to assume the management of any bank under his jurisdiction without formal receivership. The hard-hit automobile industry found many large banks in Detroit stacked up with inconvertible paper, and the important State of Michigan was impelled to declare a banking holiday in February. Detroit manufacturers were compelled to call upon their resources in neighboring states to meet their current obligations, and soon Ohio joined the growing list of states with enforced banking holidays.

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[54] President Roosevelt stressed that issue in his Philadelphia and Brooklyn speeches—New York Times, Nov. 2, 1940; also in his address to the first session of the 77th Congress on Jan. 6, 1941.

[55] Moody's Manual of Investments, 1933, pp. 666-70; referred to by Corey, p. 494.

[56] America in Midpassage—Beard, p. 152.

Hoarding of cash was the inevitable accompaniment of such measures. No one wanted to be caught financially naked, and the resulting withdrawals of cash further weakened the financial structure of the nation. It is significant of Wall Street psychology that the cause of this gathering storm was sought for, not in the heart of the economic system, of which it was the inmost center, but rather in the political uncertainty due to the impending change of Administrations.[57]

Thus on the very morning when Franklin D. Roosevelt was to be inaugurated, the hub State of New York was compelled to declare a bank holiday for two days. "In forty-seven of the forty-eight States," writes Beard, "banks were either closed completely, or with few exceptions, were doing business under severe restraints as to the withdrawal of deposits." [58] When Roosevelt took over, the most vital part of the machinery of modern capitalism had broken down completely. The entire economic system was threatened with complete paralysis.

Unlike Beard, however, we cannot content ourselves with a muckraking expedition into the personalized details of this disaster. If this or that Lord of Creation betrayed his trust, or his partners, or his public, or the other Lords of Creation, to use the phraseology of that writer in his highly interesting details for the thrill-hunting reader obviously uninterested in the causes of this spectacular collapse—all these consequences would have flowed inexorably, not because of human failure, but because of a social breakdown.

For nothing could bring home the defects of our economic system more strikingly than the closing of those banks. From the first lisping lessons in grammar school until the finished thesis of the aspiring Doctor of Philosophy, the integrity of the banking system and its high priests, the bankers, was made a cardinal principle of orthodox faith. The word of the banker stood next to the word of God, and for all practical purposes was certainly much more influential.

It was, on the whole, a beneficial step in the mental ventilation of the public mind from the accumulated effects of the propaganda of decades, to have these gentry exposed as among the most sordid and selfish among their fellowmen, and to tear from their faces the hypocritical mask of business virtue which they wore habitually for their dear, trusting, so faithful public.

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[57] Business Cycles and Forecasting—Bratt, p. 472.

[58] America in Midpassage—Beard, p. 156.

But the collapse of the banking system as such transcends the peculations or idiosyncrasies of any group among these financial wizards. Let us consider for a brief while the role of banking in the modern economic system so that we may grasp fully the utter anachronism of leaving this vast social power in the hands of private, and to a large extent irresponsible, control despite the gallant efforts of the New Deal and the Securities and Exchange Commission.

In the first place, bankers operate with moneys deposited in their care by their customers. The economic system demands that this money be put out to use. In the form of loans these funds are employed in a multitude of industrial operations. It is the very fluidity of capital from one branch of operation to another that helps to establish and maintain the average rate of profit. This is a fundamental law of capitalist economy, and without the aid of the banking system the general profit rate could not be obtained.

Far from these financial wizards being the mainstay of the economic order, they have proven themselves to be nothing more than the clever manipulators for their own gain of social forces which in the final analysis hold them in a vise-like grasp. The once proud makers of prosperity, as they pompously asserted, were now compelled to reduce the interest on savings accounts to one and a half percent, because of the lack of profitable investment, and the determination of the R. F. C. to prevent profiteering in war orders.

Edward J. Condon, the able analyist of the New York Times was compelled to admit that the excess reserves of the Federal Reserve System consisting of funds which cannot be employed in ordinary commercial discounting and other uses, now amounted to $6,620,000,000 and well on the way to reach seven billions. (N. Y. Times, Jan. 5, 1941.)

This he called a potential financial powder keg because of its speculative possibilities wherein those reserves normally would support a business turn-over of ten times that amount. Such a result did not follow, and could not follow because no valid business approaching that amount could be drummed up in normal peacetimes. The days of wild-cat speculation and financing are definitely over no matter what would be the character of the Administration. Even a Willkie would not have been able to reverse Time's Arrow in the present state of American affairs.

The credit and banking system as it developed during the Period of Industrialization was the most effective instrument for levelling off and maintaining the average rate of profit. This does not mean that the zealous banking fraternity stayed up nights worrying about how to maintain the average rate of profit for the good and welfare of society. They leave that sort of apologetics to the professors. It is extremely doubtful if even a small percentage of the dabblers in other people's money know what the average rate of profit is, nor of its role in capitalist economy. But as highly practical men, especially where profit for themselves is involved, they were on the continual lookout for propositions that presented enticing prospects for more than average profits. This resulted in a shifting of the social capital which they manipulated from one sphere to another, and it is this counter-balancing of contradictory forces that succeeded in establishing the average rate.

The banker feels equally at home in rails, public utilities, chemicals, steel and shipping, without knowing much of any of them. For that he can hire the best products of the Massachusetts Institute of Technology for a mere pittance compared to his own income. Technical and managerial skill is merely a form of skilled labor which can be bought on the market, just the same as that of machinists and bricklayers.

But the banker commands, because the fundamental laws of capitalist economy prevail equally in every sphere of production which it invades, and on the surface of things it appeared that all blessings flowed from his genius in shifting the social capital around to its various depots. Since the ultimate aim of all capitalist economy is to produce a profit, the methods of accounting must be the same whether a particular industry produces pastry or germicides.

One does not have to be a banker or a chemist to apply the simple principles of arithmetic to those businesses. And that is the chief business of the banker. Even here he needs the assistance of a clerk to check up on his errors. The necessary financial records of an enterprise result in the formation of a highly skilled branch in the social division of labor in which the banker has now become supernumerary. The shifting and placement of capital is rapidly becoming a social function performed by society itself without the benefit of the private banker's ministrations.

THE NEW DEAL RECONSTRUCTION CORPORATION

It is recognition of this fact that led one of the captains of industry, R. E. Desvernine, president of the Crucible Steel Company of America to look with horror upon the Reconstruction Finance Corporation as the Frankenstein of modern capitalism, created by one of their own men in the sad hour of adversity. "A new theory of government action," he writes, "was introduced in the Reconstruction Finance Corporation Act, enacted under the administration of President Hoover, and is being carried forward in the Mead Bill, recently introduced into Congress under the sponsorship of President Roosevelt. Here we observe not merely emergency spending, but a permanent program whereby, through the medium of the taxing power, government expropriates the income of the country and 'invests' it in selected private projects." [59]

What a colossal tragedy for this entrepreneurial genius and his fraternity! Having brought the nation to the brink of ruin, he protests that the people of the country are holding back from the irrevocable plunge into the chaos which engulfed Italy and Germany —and presented the world with Mussolini and Hitler—in their instinctive attempt to save themselves and their institutions.

So long as the R.F.C. was shovelling billions into the insatiable maws of banks, railroads and other private enterprises there was no protest against expropriating the income of the country through the taxing power. Now that this tremendous financial mechanism is being used with an eye primarily to the upbuilding of the country and the preservation of its people, the welkin resounds with the anguish of these captains of industry who have a sinking feeling that eventually they will be displaced by competent socially-minded men trained in the service of their fellowmen, who will administer the operation of the credit system as a social function performed by the government for the promotion of the general welfare.

One has but to read the discussions of the bank holiday by classical historians to be convinced that the writing of history is impossible without a thorough grounding in the social sciences—in anthropology, sociology and as we approach Modern Civilization, political economy. The closing of the banks is treated by them as an incident of no greater significance than the shutting down of the steel mills or automobile plants. They cannot grasp the fact that this event was not episodal, but epochal; that it was not some adventitious circumstance, but rather marked the beginning of the end of a definite epoch in society, the close of that epoch in Western civilization which was ushered in during the sixteenth century and is technically known as Modern Capitalism.

It is unfortunate that historical events of such deep significance do not announce themselves with the fanfare of brass bands and neon signs for all to read. But in a sense that is precisely what has occurred since 1929 for those who possess the scientific vision and understanding of the social phenomena which passes before their observation. Some of the most obvious facts of existence, both in the physical world of nature and of society, are beyond the comprehension of those who do not possess the essential key to their analysis in the form of adequate, comprehensive law.

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[59] New Outlook in Business—Batchelor (1940); article by Desvernine, p. 187.

END OF PRIVATE CONTROL OVER THE CREDIT SYSTEM

Enough has been presented to indicate the significance of the commanding role finance capital obtained in the inner workings of the capitalist mode of production. A cynic and born leveller, finance capital reduced all trades and "mysteries" to one common denominator. This it achieved first by attaching itself to the circulation of commodities by discounting future receipts and thus hastening the turn-over, and consequently the effectiveness of a given productive capital. Banking therefore reduced the amount of capital required for a business of a certain scale; or conversely, enabled a smaller capital to increase its productive forces, per unit of capital. By co-ordinating the resources of banking capital through connections ramifying eventually into every corner of the earth the costs of circulation itself were thereby reduced. This was an indirect social gain of as great importance as the technological improvements that increased production directly. Consequently banking accelerated the production and distribution of commodities.

Through the establishment of clearing houses and the perfection of means for the settlement of international balances the banking system heightened the effectiveness of a given monetary hoard. The precious metals functioning in circulation or for reserves are constantly decreased relative to the mass of business, as experience dictated during the progressive stages of capitalist economy. Therefore masses of capital and labor that would be devoted to the mining of the monetary metals were diverted to really creative endeavors, and society as a whole benefited by their labor in the production of means of production or means of consumption. The rapidly increased turn-overs of money reduced the quantity required for circulation. The replacement by paper of the metal itself for which it acts as a valid, redeemable substitute is one of the triumphs of banking, making possible the virtual disappearance of gold and silver—except for small change—from the inland circulation.

Of course, this opened the way for abuses as during the post

First World War period, both among the victors and the vanquished, but these abuses in themselves already were the harbingers of the collapse of capitalist economy. As we shall see, it was not only Russia, Italy and Germany that devalued their paper currency by turning loose the printing presses, but even France, England and the United States resorted to various means of depreciating their currency by arbitrary devaluation; arbitrary only in the sense of the level established for the new measure of value, rather than in the whimsical resort to such a drastic step which strikes at the vitals of our economy.

Through the intricate world-wide credit mechanism that only modern banking could create, all the world was brought into closer economic relationship, and no financial disturbance could occur in Bombay or Shanghai which did not reverberate on the tickers in the financial marts of every other important city. Thus banking and the credit system in one hundred years of capitalist development did more to break down barriers between races and nations than all the preachers of Christendom since St. Paul.

The banking system was an important mechanism for the accumulation of capital hoards, leading to the formation of stock companies. Once more the equalitarianism of money levelled all distinctions of close-fisted guild corporations and opened up opportunities for participation to every owner of a hundred dollars or less. In practice, however, the owner of a small hoard deposited it in some bank, and this bank in turn was the source of investment funds for the concentrated money market within the limitation of laws subsequently enacted for the protection of depositors. That no such iron-clad protection could be found within the scope of capitalist economy was evidenced by the numerous and chronic bank failures which stud every page of our financial history. The uncertainty of return affecting both interest and the principal are inherent in the laws of capitalist economy itself.

Nevertheless, the banking system was a powerful lever for the concentration of capital, because by its nature it was itself the product of such concentration of innumerable little hoards. By the same token, this led inevitably to centralization on a vast scale. Through the manipulation of the financial mechanism it was possible for a small group of directors of a bank, themselves possessing only an infinitesimal fraction of its capital or deposits, to obtain a dominating influence in a large number of other corporations.

In our own life-time we have watched the emergence of two giant New York banks in their neck-and-neck race for the distinction of being the first billion dollar bank in the United States. Due to the legal mishaps which befell its head after the crash of 1929, the National City Bank has since fallen far behind its closest competitor. Still as of June 30, 1940 the National City had total resources of $2,600,000,000 while the Chase National had resources of $3,473,000,000.[60] Through the devices of holding companies, interlocking directorates, representation on the boards of its customers, and by virtue of the fact that in a large corporation with widely distributed shares a working control is often effected through the ownership of as little as twenty percent of the voting stock, it can readily be seen how wide are the ramifications, and how diversified is the influence, wielded by private financial enterprises of such magnitude.

FINANCE CAPITAL PREPARED THE WAY FOR FURTHER SOCIAL PROGRESS

Finally, finance capital helped to transform the actually functioning capitalist into a manager of other people's capital. The individual capitalist producer has already outlived his historic function in basic industries. Such individual producers like Ford are an anachronism, and if that intransigent individualist were to determine tomorrow to close his plant and spend the rest of his days fishing, it would not take very long before General Motors and Chrysler would take up the slack by virtue of his removal from the industrial scene. Modern production is the combination of a vast co-ordinated social effort beginning, as with automobiles, in the mines and on the plantations of the rubber producers and ending with the filling of the gasoline tank.

Our highly integrated economy is really a social productive process, but carried on for private accounts. Management is hired brains dissociated from financial control. If tomorrow another group of capitalists should get control of the United States Steel Corporation—this has actually happened in several large-scale enterprises—a new Board of Directors would take over, but as far as its actual working plant and superintendence is concerned, nobody would need know the difference. The accounts simply would be conducted for the new interests.

The generalized rate of profit, to which the Stock Exchange is very sensitive, has reduced all production to one common denominator. Technology, science and operating skill conducts all the rest. "In the stock companies," wrote Marx, "the function is separated from the ownership of capital, and labor, of course, is entirely separated from the ownership of means of production and surplus-labor. This result of the highest development of capitalist production is a necessary transition to the reconversion of capital into the property of the producers, no longer as the private property of individual producers, but as the common property of associates, as social property outright." [61]

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[60] Reported in New York Times, July 2, 1940.

Four score years after Marx, Berle and Means discovered, or at any rate described, the division between ownership and management, but unlike these two adventurers in the economic wilderness, Marx analyzed the laws of social motion of existing society as they tended toward the next step in social evolution. Like a good revolutionist Marx erred on the optimistic side. There is nothing inevitable in the social processes which tend toward a higher civilization. Of course we must assume that enlightened mankind for its own protection will not permit the slide into chaos following social disorganization. But mankind unfortunately is not certain either of its present or its future status, nor what to do even if the truth concerning its affairs were finally accepted.

Whether recourse will be to the creation of an overwhelming benevolent bureaucracy, as in Soviet Russia, removed from popular control or in a despotic totalitarian state as in Germany and Italy, depends wholly upon us. The interposition of Society in basic industry can also be democratic in nature and in practice, but only a people long trained in the processes of democratic government as is the American people, can accomplish that result.

We have still to demonstrate that this is the only constructive way out of the depression in which the United States had been wallowing for ten years before the war and preparedness boom. Up to this point we only ask the recognition of the fact that finance capital has already accomplished quite a bit of concentration and centralization of the means of production; but unforunately their concept of society is limited to the comparatively few members of the banking fraternity who manipulate the strings from the seats of financial power, and not infrequently to their own detriment.

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[61] Capital—Marx, Vol. III, p. 517.

CHAPTER XXII

Launching of the New Deal

THE NATION UPON ROOSEVELT'S FIRST INAUGURATION

When F. D. Roosevelt rode down Pennsylvania Avenue for his inauguration on March 4, 1933 he was faced with a nation in the throes of disorganization such as had never confronted an incoming President before except Lincoln. The entire banking system had collapsed. People could no longer get their money with which to meet their current obligations. Consternation, dismay, even terror seized upon the population. Something had to be done, and nobody knew exactly what—not even the President. True, the situation was not altogether unexpected. Matters had been drifting in the long interregnum between the preceding November and the five months which had to elapse before the new Administration would take over. This has since been changed by the adoption of the twentieth amendment to the constitution moving up the inauguration to January instead of March.

Meanwhile Roosevelt had surrounded himself with a group of so-called liberals, progressives and idealists of sorts who were to become known collectively as his Brain Trust. They had given the state of the country careful consideration with the view of adopting ameliorative measures for the immediate problems, and a long-range program for future action.

History was again to witness the repetition of the ancient drama of men in authority who schemed rather than planned, and who were compelled to improvise for the occasion because they did not understand the basic factors involved which produced that state of social disintegration. To plan consistently one must grasp the nature of the social forces with which one must deal. This proposition is axiomatic in every science except society. But the problems of society, and even more so of current history, have been considered up to now insusceptible of scientific analysis.

To the alleged practical statesman society just moves along by some inherent power whose nature is beyond our comprehension. We must be content to observe the processes of this development, and draw pragmatical lessons from its progress step by step, from day to day. Laws, forces, limited social relations in an historical setting, all these are for them mere word concepts. Nothing seems more patent than that under similar physical, geographical and economic conditions, we can have evolved a diversity of social institutions; as witness the democratic kingdom of Britain, the petty bourgeois republic of France, the totalitarianism of Italy, the benevolent despotism of the Soviet Union, and the popular democracy of the United States. The world is big enough to hold them all.

Not much was said in 1933 except in radical circles about a certain Hitler who had advantaged the opportunity presented by republican Germany's economic disorganization to take over the reins of power after a formal vote in the Reichstag. Roosevelt and his Brain Trust were prepared to take full advantage of their new-born power to do quite a little reorganizing of the American social scene on their own account in order to establish a more equitable order of distributive justice. How and what were problems to be solved as they went along. The where of the situation was fairly obvious to any who would look and see—provided they saw things with the same eyes.

CONGRESS, THE PRESIDENT AND HIS BRAIN TRUST

As far as the banks were concerned, the common-sense thing to do was to close all of them by formal order so that a breathing spell could be gained before the next step. A day and a half after his inauguration, or precisely at one o'clock in the morning of Monday March 6, President Roosevelt issued his famous executive order closing all banks for three days, subject to further proclamation. Authority for this drastic step was unearthed in a long forgotten and unrepealed provision of a war statute enacted during the emergency of 1917.[1] Meanwhile Congress was called into extraordinary session.

Nothing better illustrates the mental panic of the country than the actions of this Congress. It had no program; it possessed no independent will; its mental functions were numbed by the terror in which it reflected the reactions of its constituents. Private business had abdicated.[2] Old gods had been destroyed. Nobody knew what to do. All therefore turned instinctively for light, or rather for guidance to The Leader. Such is the basis of the leadership principle that gave Mussolini and Hitler to the world in countries untrained in the democratic way of life.

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[1] America in Midpassage—Beard, p. 211.

[2] Business Cycles and Forecasting—Bratt, p. 474.

If Roosevelt did not follow in their footsteps it is not because the terror of the people would not have permitted them to acquiesce in this escape from their dilemma; it is not because the traditions of the country stood as a formidable barrier to such a usurpation of power, for the current mood of the people was such unreasoning panic that it would brook no bar to what appeared to be their immediate safety; it was simply that Roosevelt was not built that way; nor would a sobered country have stood for any but the democratic way. No observant person who experienced those days of panic can doubt that the fright of the country was such that Roosevelt could have done about anything he willed. If he has failed to accomplish his major objectives it is not because he did not have the chance, but because he did not know what to do when the opportunity was thrust in his hands.

When Congress came together Roosevelt asked for a blanket authority over banks. "With an alacrity suggesting spontaneous combustion," writes Beard, "excited Representatives and Senators rushed the draft through the two Houses and placed it on the President's desk before the close of the day. Neither Lincoln in 1861 nor Wilson in 1917 had been granted such drastic powers with so little haggling and bickering." [3] When later both the nation and Congress recovered from its deathly fright, Roosevelt was to experience considerable haggling and bickering over a moiety of the authority which was then granted him with break-neck speed.

The President was empowered to license sound banks, or those possessing liquid assets sufficient to meet the demands of their depositors. Conservators were provided for all other national banks. The Reconstruction Finance Corporation was permitted to buy preferred stock of banks in order to supply them with cash to carry on. Expansion of the currency was permitted. Hoarding was declared illegal. Gold was nationalized and all private possessors were required to surrender the monetary metal to the government. The President could devalue the dollar up to fifty percent. In essence the entire banking business was placed in receivership with Roosevelt as the trustee.

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[3] America in Midpassage—Beard, p. 212.

COLLAPSE OF THE BANKING SYSTEM

Here was the golden opportunity, in the opinion of some, for Roosevelt to have nationalized the entire banking system. Beard is evidently of that opinion. He complains that far from driving the money changers from the temple, Roosevelt gave the support of public credit to private bankers.[4] Laidler obviously subscribes to the opinion he ascribes to many who then believed that the time had come for the nationalization of the banking system, instead of pursuing the policy of regulation adhered to by Roosevelt and his advisers.[5] Hacker, too, repeats the petulant tones of the many liberals of the time who thought that the entire credit system should have been nationalized.

While the credit system is the heart of modern capitalist economy, the way to cure its ailments is not to extirpate the organ and deposit it in the lap of a public agency as these befuddled liberals would have it. The question may well be asked what is a liberal? If judged by their writings, they still live mentally in the times of Gladstone and Darwin, while they endeavor with frantic effort to adapt the hoary ideologies of sixty years ago to the problems of contemporary times. Hacker's favorable reference to outstanding liberal attitude would be meaningless unless he considered their ideas of sufficient importance as to be embodied in the selective material of the historian's record. Nobody is called upon to pay attention to ravings inside or outside insane asylums.

Those so self-righteous liberals actually expected Roosevelt to nationalize the banking system! [6] Have they the slightest conception of what that would have meant? Did they really expect Roosevelt to be so lacking in judgment, if not in honor, as to resort to a measure far beyond his time, so beyond the ideological preparation of the masses of our people as would inevitably have led to a sanguinary internal disorder? Or were these sweet liberals willing to gamble on the chance that for so worthy a cause the strong-arm tactics so successful in certain European countries—which every virtuous liberal properly abhors by word and speech—would have been justified on the part of Roosevelt?

Surely never was the time more propitious for such a coup. So acted Mussolini and Hitler in a great national crisis. Here in the United States the capitalist class was bewildered and disorganized,

[4] America in Midpassage—Beard, p. 212.

[5] Program for Modern America—Laidler, p. 256.

[6] United States Since 1865—Hacker and Kendrick, p. 740.

the people helpless because uncertain. Perhaps both would have been reconciled to an accomplished fact. What is a liberal in terms of modern realities?

WHY THE BANKS WERE NOT NATIONALIZED

Roosevelt has exhibited throughout his incumbency an extraordinary sense of social responsibility which does him greater honor because opportunities for the reckless use of power were placed so prodigally in his hands. While Roosevelt is predominantly the resourceful and venturesome political leader, he possesses in equable measure both the courage to dare, and the shrewdness to retire. He is willing to lead the people to that more abundant life which is the general goal of his political philosophy, but he is not willing to lose contact with the people, which means with the realities of contemporary life, in the reckless pursuit even of a theoretically desirable end.

Roosevelt is first the pragmatist, but always the profound humanitarian. It is the latter quality which covers all the grave shortcomings of the rest, and has made his position secure in our history among its broad-visioned statesmen. Roosevelt did not nationalize the banks because he judged properly that the great, the overwhelming body of the American people were not ready to sanction such a measure in their calmer judgment. To have acted otherwise during the fateful hour of national weakness would have been a betrayal of his responsibilities and of the faith of his people. Roosevelt was not ready to do either even at the behest of those noble liberals.

To have nationalized the banks would have meant to nationalize all industry. It would have meant the establishment of Socialism not by the free-willed, democratic choice of the American people, but by the fiat of a single man. Such kind of Socialism must become at best a benevolent despotism, to gravitate inevitably into the Nazism of Germany, the corporate state of Italy, or the arbitrary, uncontrolled, even if enlightened rule which prevails in the Soviet Union. No Socialism is worthy of the name unless it is the conscious result of a definite, well-organized and well-instructed public opinion.

No one denies that Roosevelt could have nationalized the banks in 1933. But those insufferably superficial ignoramuses who parade around in the grotesque intellectual garments of a nineteenth century liberalism smattered over with the raucous phraseology of twentieth century eclecticism would have been the first to turn against the consequences which would have followed out of such a fateful step.

To the epigoni the nationalization of banks stands in the same category as the state operation of railroads, or the municipal control of its water supply and the local sewer system. They have not the slightest conception of the controlling influence exercised by the banking system over the entire economy. It regulates the flow of commodities, the tempo of production, the investment of capital and the average rate of profit which controls the aliquot distribution of surplus value among the categories. It is the very heart of modern industrial monopoly-finance capitalism.

Even Hitler did not nationalize the German banks, though he dominated them, as he does everything else in that hybrid of capitalism-socialism which is called Nazism and which is neither one nor the other. The first step of the Soviet Union both in the initial Bolshevist Revolution and as it branched out into the Baltic States in 1940 was to nationalize first the banks, then big industry and finally the land. The first thing it seized upon was the banking system because that is the jugular vein of capitalist economy.

What could Roosevelt have done with the banks had he nationalized them? There would have been but one of two choices left open to him; either to operate them as agencies of a national economy, or to return them to their former owners.

Under the historical conditions then existing in American society, conditions which were the result of a definite historic development and led toward an equally definite dominant ideology, Roosevelt had but one choice—that dictated by his level-headed common sense, by his thorough knowledge of the American temperament and of the American psychology. He determined at a time when Congress was ready to follow slavishly his determination whatever it be while the American people literally hung on his lips because they had nothing else to hang on to—upon a policy of regulation rather than of nationalization. He knew that the American people were not ready for that step, assuming that he ever considered it. No one knows whether Roosevelt wanted that, and it is immaterial even if he did. The entire question is academic, because it is concrete acts and not abstract thoughts that count in the records of history.

REGULATION VERSUS NATIONALIZATION

Regulation is already an accepted American tradition. Yet scarcely fifty years have passed since the first regulatory body was established, the Interstate Commerce Commission, in the period of modern industrial capitalism. Over this stretch of years that program has been debated until it has become engrafted as part of our fundamental public policy. There comes a time when regulation passes into confiscation, and corporation lawyers have been quick to point that out. But there also comes a time when regulation no longer works if only because there is precious little left to regulate.

The evolution of public sentiment on governmental regulation in the typical American manner is exemplified in the personality of Justice Harlan F. Stone, now on the Supreme Court bench. Appointed by President Coolidge originally because of his conservative leanings,[7] gleaned no doubt from his lucrative corporation practice, Stone's experiences on the national bench brought him into contact with the larger aspects of public policy, until he has developed into one of the most pro-socially minded men of the Court. "Extension of corporate activities," he wrote in an opinion on Rogers vs. Guaranty Trust Co. in 1933, "distribution of corporate personnel, stockholders and directors through many states, and the diffusion of corporate ownership, separated from corporate management, make the integrity of the conduct of large business corporations increasingly a matter of national rather than local concern (cf. A. A. Berle Jr., and Gardiner C. Means, The Modern Corporation and Private Property), to which the Federal courts should be quick to respond when their jurisdiction is rightly invoked." [8]

Where the courts may determine, surely the Congress may act. Banking particularly had been the subject of legislative concern since the founding of the Republic when Hamilton put through the first United States Bank charter. A long list of classic precedents supported Roosevelt in his policy of strict government regulation, perhaps with the hope that banks would be rendered amenable to government control without the responsibilities and the difficulties inherent in premature government ownership.

Regulation is the central core of all that body of legislation that came to be known as the New Deal. That the major part, by far the most vital part, of its economic program has failed is due to the difficulties of attempting to read social responsibility into private enterprise. Something had to give way ultimately, and that was the grandiose program for the economic reconstruction of the United States under the generic title of the N. R. A. So long as private industry was in the doldrums, as was the case during the melancholy days of 1933, business and the government got along in the same harness passably well. Matters took a far different turn once the bloom of vigor was noticed in the complexion of the economic structure.

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[7] Public Control of Business—Opinions of Justice Stone, edited by Lief (1940), p. 14.

[8] Public Control of Business—Stone; edited by Lief, p. 131.

There is no doubt that Roosevelt and his advisers really believed that a new pro-social type of capitalism was possible, where co-operation would replace destructive efforts at mastery over each other and the golden rule would prevail over all. The transition in their minds from government regulation of business to government co-operation with business was so easily effected because it appeared so smooth, so plausible, so sensible. And here is where the New Deal theorists made their greatest mistake.

Let us hasten to add that the mistake was of a theoretical rather than of a practical nature. Under the social conditions then prevailing they could not have done otherwise without undertaking a "putsch," an historic German term for an attempt on the part of daring men to seize the reins of power during a period of temporary but extreme social disorganization.

Such a method was ruled out by the New Dealers, assuming that it was even considered. The basic idea underlying the policy of regulation by government in co-operation with self-regulation by industry was that private enterprise had suffered too much from an overdose of Napoleonic genius; that these reckless egomaniacs evolved from the Vanderbilt-Gould-Fiske period with their modern counter-parts had overplayed both their time and their hand; and that with a fair-and-square program of giving full value fcr honest merchandise produced under conditions equitable to labor and to agriculture, a new era based on broad social justice would dawn upon our distracted country.

"What we seek," said Roosevelt in an expository address delivered in 1934, "is to balance our economic system—balance between agriculture and industry and balance between the wage earner, the employer, and the consumer. We seek also balance that our internal markets be kept rich and large, and that our trade with other nations be increased on both sides of the ledger." [9] In his most recent message to the first session of the Seventy-seventh Congress this incorrigible optimist but fumbling statesman was still preaching this gospel, though to the problem of chronic crisis had then been added that of imminent war involvement—a condition for which his inept foreign policy during the past eight years was responsible in no small measure. (New York Times, Jan. 7, 1941.)

Those who had, or thought they had, a fair knowledge of the inner workings of capitalist economy sat on the side-lines—since

[9] Quoted by Hacker and Kendrick in the United States Since 1865, p. 742.

they could do little else—and applauded heartily the actors, wishing them all success, but waiting around to appraise the consequences of the inevitable collapse they knew was in the offing for this grandiose synthetic scheme. They also knew something about imperialism and the contradictory policy of autarchy it created among the losers after the war, and among the struggling nations striving to win a place in the sun. They awaited with frank skepticism the outcome of this policy of increasing world trade for all concerned, this fundamentally antagonistic movement of high tariffs with variations, versus free trade in the best markets. They were cynical as to the outcome, but at the same time they were in fullest sympathy with Roosevelt's great objectives.

N.R.A. CONCOCTION OF PRAGMATICAL STATESMANSHIP

From all these vague strivings the economic aspect of the New Deal was born. The keystone in its arch was the N. R. A. It is so easy for little minds now to sneer at its mention. To the scientific recorder of our history it will always remain as one of the grandest and most gallant efforts at human betterment ever undertaken by high-minded men to be effected in a democratic manner. It is incumbent upon us rather to analyze its program and to understand why it failed, so that we might, perchance, gather from this failure valuable lessons to aid us in the same struggle for the common good which was, and is, being carried on with indomitable courage by Roosevelt and his associates against such overwhelming odds in the inertia of the masses and the implacable opposition of the moneyed classes.

Social inertia was by far their most powerful opponent. The people simply were neither intellectually nor emotionally prepared for a radical change. The so-called captains of industry have long since abdicated and have been generally discredited, while the new ones aspiring to their power, but in a different milieu are but a pale reflection of these former titans. Times change more quickly than does the mind of man.

Collectively the American people applauded the efforts of the Roosevelt Administration despite the fact that by 1935 the N. R. A. had fallen into such disrepute as to be the butt of street-corner and bar-room humor; than which nothing lower is conceivable. But the innate common sense of the American people led them to recognize both the difficulties of hewing a new path, and to appreciate the effort even though it resulted in failure. This is the sportsmanship of the American nature.

This was magnificently demonstrated in the elections of 1936, and will be repeated in 1940.[10] The days of standpatism are over, and the masses of our people will not be content with destructive criticism only, in the face of Roosevelt's constructive efforts combined with the appreciable, positive gains of his administration. If therefore we undertake to discuss the defects of the N.R.A., it is not for the purpose of impugning the high purposes of its architects, but rather to analyze in a scientific manner why it failed, by disclosing the laws of social motion as they are developed out of the existing social structure which doomed the N.R.A. to disaster even before it was launched.

ORIGIN OF THE N.R.A.

Three months after Roosevelt's inauguration the National Industrial Recovery Act was on the statute books, and the National Recovery Administration to carry out its provisions was duly created.

It cannot be too strongly emphasized that the N. R. A. was not the product of an individual brain, or the result of a sudden inspiration. "Except for the labor section," writes Beard, "the National Industrial Recovery Act embodied the system of thought officially set forth by the United States Chamber of Commerce; and representatives of that powerful body participated actively in the drafting of the bill." [11] Although later on it became the fashion to denounce that measure as the product of irresponsible, crack-brained theorists, actually its program constituted the best solution then thought possible for the country's ills by the best responsible men of the country, together with a long-term program for the future ordered prosperity of the nation. It was the reasoned-out solution of very hard-headed and essentially pragmatic minds, and the best they could devise in view of the situation as they understood it.

In fact, the entire scheme of self-regulation by business with government supervision was the brain-child of the United States Chamber of Commerce,[12] no less. This only goes to prove how very, very sick American business was in 1933 that it was ready to promulgate, let alone to co-operate with and to practice those self-imposed restrictions which during its subsequent recovery it denounced as the concoction of the veriest Bolsheviks among Satan's damned brood. This is an historical fact of great significance, not only because it shows the tame character of business men despite all their bravado when in health, but what little of substance there actually is in their ranting up and down the countryside threatening all and sundry with the painful consequences of their displeasure once they are crossed and determined to wreak vengeance. When business was sick, it acted like a sweet little angel when the government was feeding it with a golden spoon, and few students of history will now be taken in by its defiant roar. The voice may be the voice of Willkie, but behind the bear's skin is a frightened little sheep.

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[10] The results of the recent election have amply proved this.

[11] America in Midpassage—Beard, p. 227.

[12] Ibid., p. 517.

SELF-REGULATION THE GUIDING PRINCIPLE OF N.R.A. CODES

Among the principal provisions of the Recovery Act were the establishment of codes for the regulation of each industry through the collective agreement of its members. The basic purpose of each code was to determine fair trade practices and to eliminate cut-throat, anti-social competition by stabilizing prices so as to make possible a fair profit; to coordinate production so as to eliminate the sharp peaks and valleys of employment; to distribute the social benefits of technological development; to equalize the bargaining position of labor by guaranteeing it the right of collective bargaining through representatives of their own choosing, and eliminating company unions or employer coercion in that vital respect; and finally to clothe these codes after their adoption by the industries concerned, and approved by the President, with the full effect of any statutory enactment, enforceable in the Federal Courts.

The delegation of the law-making power proved to be one of the constitutional defects of the N.R.A. This grave objection must have been present in the minds of its authors, but they sought to circumvent it by the assertion of another constitutional power of established merit, the right of Congress to regulate interstate and foreign commerce, and by establishing, as they thought, definite limits to the delegation of authority. Codes that could not be enforced were useless, and Congress obviously could not engage in their making, for it lacked the knowledge, the skill and the patience which each industry could be expected to call forth in the organization of its own legislative controls.[13]

For these codes were in effect legislative acts. They established rules of business conduct, methods of industrial practice, and regulation of production, prices and conditions of labor which were fully enforceable in the courts, while punishment attached to their violation.

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[13] Government and Economic Life—Lyon et al. (1940), Vol. II, p. 1041.

At the very outset regulation was beset with the need for coercion. It is one thing when such coercion which is inherent in sovereignty emanates from the organs of state within the confines of constitutional practice; it is a far different matter when the code to be enforced is the result of the decisions of private individuals over whom the people exercise no control and who are accountable to no one except the service of their own interests.

N.R.A.'S CONSTITUTIONAL INFIRMITY

In the famous Schechter Case decision which finally invalidated the N.R.A. Chief Justice Hughes put his finger squarely upon the legislative character of these codes functioning as laws. "If valid they place all persons within their reach under the obligations of positive law, binding equally upon those who assent and those who do not assent. Violations of the provisions of the codes are punishable as crimes." [14] Even the undoubtedly social-minded Justice Cardozo was compelled to state that "the delegated power of legislation which has found expression in this code is not canalized within banks that keep it from overflowing. It is unconfined and vagrant." [15]

Business was called upon to regulate itself under the general supervision of government, because government was neither ready nor willing to take over business. Yet when teeth were put into these regulations, they were promptly pulled out as contrary to our constitutional practice.

This decision came two years after the N.R.A. had come into effect. Many things had happened during the interim which made that the most thoroughly disliked law since the adoption of the Volstead Prohibition Act. Probably no law was broken with greater impunity, and its passing was mourned even less than the demise of the prohibition amendment. Not even Hacker's liberals regretted its appropriate legal interment.

THE N.R.A.'S ECONOMIC ABSURDITIES

During its brief career, the N.R.A. was urged upon the American people as the cure-all for America's economic ills. Under the dy-

[14] Quoted by Alfange in his work on the Supreme Court, p. 165.

[15] Ibid., p. 166.

namic leadership of Administrator-General Hugh S. Johnson, the country was organized for its advancement with almost religious fervor. With the Blue Eagle as the official emblem, people were urged by every means, by the press, the radio, the schools, to patronize only those places and buy only that merchandise authorized to use the insignia of fair play in business. In New York City for example, a day of public celebration was set aside, and a tremendous parade was held on Fifth Avenue in which participated over a million marchers, between lines of spectators who numbered over three million.

This was typical of the high-pressure methods employed to put the N.R.A. across. The Nazi propaganda machine at its best could scarcely have turned out a comparable job. But the Hitler machine took the precaution of establishing concentration camps for recalcitrants. All the N.R.A. could do was to cajole, threaten and implore through three advisory boards—the Industrial Advisory Board, the Labor Advisory Board, and the Consumers Advisory Board—each charged with the safeguarding of their special interests before the code-making authorities and the various administrative officials. Nothing could better illustrate the mechanical and synthetic nature of the entire set-up.

It is conceivable that capital and labor could be well organized and represented, because both are vital to the process of production. But the consumer? Who is entitled to speak for him? What is the basis upon which they are to organize? All this talk about the consumer as the third party in the triangle is the merest shallow-pated cant.

As consumers all of us—workers, capitalists, annuitants, and sheerest idlers—stand in the same category. No one yet has ever encountered real difficulty in spending his money. The core of the problem is in getting money to spend, and that is where capital and labor come in. All other classes derive their revenues from these fundamental categories in the relations of production. It is impossible to name a single recipient of revenues derived from modern industrial economy, and from agriculture wherever that comes within the sphere of its influence, which does not derive income from profit, with its subdivisions of rent, interest and profit of enterprise, and from wages.

As consumers the rentier, the government employee together with the government for whom he works, the pensioner, the professional, the artist, all derive their revenues in one way or another primarily from capital and from labor. The real tug of war is between the two for the distribution of the newly created values, and that is why of the three Boards set up to advise the organs of the N.R.A. only those of capital and labor amounted to anything.

The actuality reflected the soundness of this generalization. "The Consumers Advisory Board, it should be said, never acquired a position of influence comparable to that of the other two advisory boards," wrote Lyon.[16] The further analysis of this point would show why the various forms of consumer cooperatives can never solve the basic problems of our economic order. No one questions the ability of well conducted cooperatives to get more for their dollar, but the real problem of capitalist economy is getting more dollars more regularly for more people.

N.R.A. MARKED THE END OF LAISSEZ-FAIRE

Altogether, the N.R.A. approved a total of 557 basic codes for industries, 189 supplementary codes, and the labor provisions of 19 joint N.R.A.-A.A.A. codes; that is, codes which applied to producers on the border line between industry and agriculture.[17] The historically important phase of all this brain-twisting was the recognition by all factors that government was now definitely in business—to stay. The days of rugged individualism were over. Laissez-faire was a thing of the past. What really mattered from now on was the nature, the extent and the efficacy of its intervention, for no one now could deny that the government had a right to intervene in business. The interests of society were recognized to be paramount to the interests of any group developed upon the basis of the capitalist mode of production.

But the problem still remains unsettled as to which class is entitled to speak in the name of society. So far the masses have not yet developed the consciousness of their social unity, and the unsettled condition within society reflected itself in the uncertain attitude of government. There is no question that today the dominant ideology is that the proper function of government is to be neutral, to act as a non-partisan, and to dispense justice to both capital and labor with an equal hand. But there is no such thing as an absolute standard of justice.

Historically, it has always been the balance of rights between classes. There comes a point beyond which the master cannot maltreat his slave without losing the benefit of his labor altogether; where the feudal lord must recognize certain rights that inhere to his serf if he would have a ploughman and a spearman; where the capitalist class cannot depress wages beyond the point where the stunted body of the laborer cannot meet the demands made upon him. So democratic government in America reflects only the balance of power as it exists between the antagonist classes. It swings pendulum-like between the physical limits of exploitation on one side as established by an evolving, enlightened social consciousness, and the constitutional limits on the other side, if ever the people should lay too sudden hands or impose too heavy burdens upon private capital.

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[16] Government and Economic Life—Lyon et al. (1940), Vol. II, p. 1041.

[17] Government and Economic Life—Lyon et al., Vol. II, p. 1042.

The N.R.A. in 1933 was one of those outbursts of pent-up social pressure, which was subsequently deflated first by the rising prosperity after the terrors of the Hoover regime, and then eliminated entirely by the Supreme Court in its famous decision which clearly reflected popular sentiment. Capitalism can stand regulation up to a certain point. Beyond that point either capitalism or the state is on the verge of a far-reaching metamorphosis.

Since American society was not yet ready for the next step in social evolution by changing the direction of its ideological controls, the internal pressure of capitalist economy succeeded in bursting the restraints imposed during the slough of depression to assert its accustomed freedom of action. It soon learned, however, that it was still pretty sick, and the ensuing years have proven it to be a chronic invalid with an incurable malady. We shall now probe into the nature of this malady by discussing what were the purposes of the N.R.A., how it attempted to achieve them, and why it failed.

CONFESSED UNCERTAINTY OF THE N.R.A.

Perhaps it will surprise many to know that despite the fact that the nation was organized by a veritable frenzy of propaganda to support the N.R.A., its leaders did not know what they were about, nor where they were headed. "The policy of the Administration," wrote President Roosevelt subsequently in explaining his defeat in a message to Congress in 1937, "was also handicapped by the lack of adequate information concerning the thousand industries for which it attempted to make and administer codes. Policy was necessarily made in the dark. . . . Policy shifted so frequently that no program can be said to have been adequately tried." [18] The President cannot well be censured for attempting to disguise the cause of this ghastly failure because he and his advisers had no clear vision as to the nature of the social forces with which they were operating. The evils of pragmatism had come home in accusative form.

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[18] Message to Congress by the President, 75th Congress, first session, House Doc. 158 (1937), pp. 129-131; quoted by Lyon in Government and Economic Life, Vol. II, p. 1039.

At the very outset of his first Administration the President had uttered the brave words that he would try one thing, and if it failed, he would try another, but he would never give up trying. The country had no idea that he would first take out the appendix, and if that did not effect a cure, then try again with the liver, and so on until something was bound to happen. The fault did not lie with the lack of detailed knowledge concerning the thousand and one industries of the country, as he complained. It may well be doubted that the President could not have had placed on his desk within thirty minutes any vital information concerning any industry that he required from the archives of government and private agencies in Washington.

The fact is that all industries conducted on a capitalist basis are governed by the same basic laws of capitalist economy. The N.R.A. was dealing not so much with particular industries, as with all industries engaged in the production of goods and services for sale, where capital was employed and labor was hired, where profits had to be made above costs or be shut down, and labor's continued employment depended upon the profitable continuation of the enterprise. It is the glory of science that it generalizes the laws pertaining to its phenomena without specific reference to any individual element within its category. The doctor feels safe in asserting that no baby anywhere at any time could be fed a couple of ounces of arsenic in the morning and be back the next day crying for more. Statesmen are too busily occupied with their craft to consider the scientific aspects of social organization, and then when failure and defeat strike home they put the onus for their incapacity upon the natural inability of the finite mind to grasp the infinite details of contemporary existence.

CONTEMPORARY LEADERS' UNCERTAINTY CONCERNING EFFECTS OF THE N.R.A.

Corey gives us a synopsis of the opinions expressed by the various social groups in 1933 when the N.R.A. was promulgated. All joined in one acclaim—that it was "revolutionary." Such was the judgment of friend and foe; of Senator Capper, of H. I. Harriman, president of the United States Chamber of Commerce whose ideas the law closely followed; of Nelson B. Gaskill, president of the Lead Pencil Institute; of Mrs. Laura W. McMullen, ranking official of the General Federation of Women's Clubs; of the editor of the New York World-Telegram; of Oswald Garrison Villard, perennial leader of the official self-proclaimed liberals of the country and one-time supporter of Willkie; and of William Green, the stodgy and unimaginative Leader of the American Federation of Labor.[19]

The "revolution" consisted in the nature of the economic order which the N.R.A. was to usher in for a distraught and almost prostrate America. Business hereafter was to be conducted upon an equitable basis with the greatest good for the greatest number as the decisive criterion. The old days of cut-throat competition were over. Business was to be encouraged to form cartels through the organization of their industry, for mutual benefit and the rationalization of its processes, beginning with production and ending with the selling price. For this reason code enterprises were exempt from proscription under the anti-trust laws, though in keeping with its general uncertainty the Recovery Act paid lip service to small industry and offered vaguely to protect it from monopoly practices.[20]

In accordance with this program the individual producers subject to the code of their industry were limited in their unrestricted right to determine prices, being subject now to the policy as laid down by the Authority and enforced by the government. Among the controls most important for the purchasing public was that of determining the minimum price.[21] This was an invitation for patent abuses. During the heyday of the N.R.A. there was observable a powerful impetus to raise prices arbitrarily, giving as a pretext the alleged higher social standards set up under the new arrangements.

It was not long before the normal forces of capitalist economy asserted themselves with over-riding effect. After a period of unconscionable gouging, certain elements within the code industries discovered that a greater immediate profit could be made by surreptitiously lowering the price and increasing the volume of individual output to reap greater profits. Few were averse to doing that despite the solemn pledges of their agreement.

Legally these violators could be prosecuted in the courts which were empowered to enforce the code provisions. Actually such a procedure would have been as ineffective as the prohibition prosecutions during the Volstead Act days. It only required one case, that of a little one-man pressing and cleaning establishment in New Jersey, to bring price enforcement into general disrepute.

The above-mentioned tailor actually was found guilty of charging five cents less for pressing a suit than the code allowed for, and he was given a jail sentence. But by that time the price violations had become so general that he was considered somewhat of a martyr by being singled out for punishment. And since it then suited the policy of capitalist interests to exploit the absurdities of code restrictions in order to bring about the collapse of the N.R.A., the tribulations and the uncompromising courage of this humble tailor were noised about the land until his name was a household word. Needless to say, nobody remembers it now, since the noble martyr for rugged individualism has long since served his purpose for the dominant economic interests.

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[19] Decline of American Capitalism—Corey, p. 14.

[20] Government and Economic Life—Lyon et al., Vol. II, p. 1057.

[21] Government and Economic Life—Lyon et al., Vol. II, p. 1043.

REGULATING CAPITALISM INTO PERMANENT PROSPERITY

Capitalism was to be regulated into permanent prosperity. Extremes of boom and depression were to be levelled out on a higher average plane of well-being for all. Limitations were placed upon production by the code industries. Excessive over-time was to be curbed. Restrictions were placed on the construction, installation and uses of capital equipment.

So blind were these authors of economic strait-jacketism that they even devised schemes for the prevention of modernization of equipment or the installation of technological improvements. The general idea was to effect some sort of balance between production and consumption, but no one had the vaguest idea of what this sort of stabilization meant for the future of the country's economy in the face of the forces of expanding international capitalism. It is fair to assert that few, if any, of the N.R.A. architects knew what capitalism meant, nationally or internationally, outside of their empirical experience and pragmatical rationalizations.

Restrictions were placed upon the removal of plants to better locations, and upon the re-opening of plants not in operation within a specified time prior to code approval. There were regulations against direct sales by manufacturers, against financing purchasers, and for the creation of zones wherein prices were restricted to predetermined levels. This established closely-knit industrial feudatories where those in a given zone were shielded from competition of producers in another zone, and the incompetency of a section of the nation's producers was permanently protected in its slothfulness against the rude shock of more alert and economical production elsewhere. The general idea was that manufacturers, say of the South, with antiquated equipment and sub-standard methods were to be protected in their right to profits against the more virile competition of the North.

No better scheme could have been devised for the permanent stratification of the sections of the country in their various stages of normal, super-normal or sub-normal development until the call of Judgment Day—provided the rest of the world was willing to stand still at the same time. As is fairly obvious by now, standing still is a luxury not even a rich democracy can afford in the swift moving tempo of contemporary times.

A fair statement of the purposes which brought the N.R.A. into existence is contained in the study of Lyon and his associates for whose publication we are indebted to the Brookings Institution: "Not only did the Recovery Act project government into an unprecedented degree of management in the broad area where reliance for the organization of industry had previously been placed chiefly on individual action, but it brought about an industry-to-industry approach to the great range of economic problems within this area. This approach which is in sharp contrast with the traditional approach of framing generally applicable laws, found support in the concept of industrial self-government which we have seen was important in the background of the act, and was further stimulated by the necessity for relying heavily on industry groups for code suggestions and the need of securing the approval of industry groups in bringing codes to final enactment. . . . On the primary question of whether the N.R.A. was in general promotive of recovery, the record is not clear. The N.R.A. did not in the first place represent a clear and unambiguous program having definite consequences moving in a single direction. Nor is it possible with assurance to isolate the effects of N.R.A. from those of the many other forces present during its existence. There is general agreement that in the beginning it 'made a definite contribution toward changing the prevailing mood of the country from apprehension to hopeful effort.' "[22]

The last few words are from the previously quoted President's message, and are in the nature of an obituary to a mighty effort with little practical achievement.

It constitutes a sort of salve for the soul to excuse a tremendous social failure in a program blindly undertaken by confessed incompetents and pursued to its inevitable end—to become the laughing stock of the nation, and to constitute the beginning of the reaction which reached its high tide in the recession of 1938.

[22] Government and Economic Life—Lyon et al. (1940), Vol. II, pp. 1057-60.

THE INDIRECT BENEFICIAL CONSEQUENCES OF THE N.R.A.

But the N.R.A. did have one very important result which from the standpoint of history far outweighs all the rest of its miserable failures. Notice was served on all and sundry that the masses of the people, farmers and workers, were in no mood in this day and age to lie down and starve meekly out of deference to hallowed traditions. In one way or another—Italy, Germany and Japan showed some other methods—the millions of workers ready, able, willing and pleading for work were not to be overlong denied what they considered their God-given right.

In 1931 Daniel Willard, the president of the Baltimore and Ohio railroad sent a polite shiver of apprehension down educated spines when he asserted bluntly that he would steal before he would starve.[23] The people who are making contemporary history leave such methods to the dominant economic categories for whom Willard spoke, who know so well how to get what they want both within the law and upon its outskirts.

You cannot convict a people, once said Burke when the American colonists took the power of government into their own hands. Government cannot let the people down, without itself feeling the overwhelming power of a people's inchoate determination not to be frustrated by economic and political conventions that have outlived their day.

The ruling classes in America now pant for the political blood of Roosevelt. It is not too much to say that in 1933 Roosevelt stood between stark reaction and revolution, perhaps bloodshed, while groping determinedly for some solution for the nation's dilemma. Meanwhile none should starve; and few within the knowledge of government, except those whose false pride kept their want from their fellows, did. This is the newer conception of the function of government. There is slowly forming a more positive affirmation, and when once the people shall have determined that every man has a right to work, then the course of the nation will be set firmly on the high-road to the next step in social progress.

LABOR PROVISIONS OF THE N.R.A.

Section 7A of the Recovery Act will be remembered by the chroniclers of our history long after the ill-fated attempt of the N.R.A. at regulating the insatiable appetite of capitalism for profits will have been noted as merely another effort at Utopianism.

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[23] America in Midpassage—Beard, p. 99.

This provision established the right of labor to collective bargaining through representatives of their own choosing, and forbade employers to interfere with that right either through yellow-dog contracts by which the worker voluntarily surrendered his birthright as a man upon securing the blessing of employment, or through the mechanism of company-inspired and company-controlled unions. This far-reaching provision recognized what had been the fact for over a century—that individual hunger could not bargain on equal terms with capital upon the conditions of employment. In the quid-pro-quo of the N.R.A. set-up, capital was given the inestimable privilege, as it appeared, of collective organization on its own account without interference from anti-trust laws; therefore, labor should also be allowed collective bargaining for the advancement of its own interests.

Under the stimulating influence of Section 7A there opened up a hectic period of labor organization. Progressive elements within organized labor had waited long for such an opportunity. For over three decades observant men and women within the American Federation of Labor had advocated the principle of industrial organization of labor in keeping with the development of industry, instead of the craft form of organization which was an outgrowth of the small handicraft phase of capitalist production. The president of the American Federation of Labor, William Green, was a typical short-sighted bureaucrat who, with his lieutenants, cared more for their vested interests in the trade union jurisdictions than for those of labor whom they were ostensibly to serve by organizing them for collective bargaining.

Opposed to this reactionary clique was John L. Lewis, a dynamic, dominating personality, feared by friends and respected by opponents as one who would not hesitate to break what he could not bend to his overbearing will. For a time history served him well, and under the Committee for Industrial Organizations, the C.I.O. of which Lewis was the moving spirit, over four million workers, most of them previously unorganized, gained the coveted privilege of having a powerful, independent organ of their own to negotiate with their employers the terms and conditions of their employment.

That labor unions are not the final solution for the greater problems of our economic system must now be apparent to the most devoted supporter of unionism. Even such a stalwart champion of the working class as Marx, pointed out the limitations of labor unions that must necessarily operate within the integument of capitalist economy. They are formidable centers of resistance against abuses, but they cannot remedy the evils of the economic order of which they are the worst victims.[24] The N.R.A. simply recognized the right of American workers to organize for their mutual protection in this, the last bulwark of rugged individualism. In England and Germany whose economy was developed to a point comparable to our own, this right had been achieved for over fifty years, before it was announced here as the gift of the "new capitalism" to mankind.

DIFFERENT VERSIONS OF THE PLANNED ECONOMY

There is a decided difference to be found between the N.R.A. during its first and its second years fully in keeping with the topsy-turvy thinking of its originators. At the beginning, capitalism was to be regulated into permanent prosperity by agreement, instead of its excesses being merely curbed by laws. The let-down in anti-trust enforcement led to inevitable abuses.

After all, the code for an industry represented not the unanimous will of all its members, but of those possessing sufficient economic importance to constitute a majority in the industry, and were thereby empowered to put over an agreement in spite of a minority interest opposition. This proved in many cases to be the golden opportunity for big industry to squeeze to the wall, by due process of law, its smaller competitors who somehow survived their pressure in a freer competitive field. Because of the protests of these small producers who found the codes inimical to their interests the government was compelled to heed their cries and threaten a more rigid reversion to prosecution under the anti-monopoly laws.[25]

But while these shifting policies appeared to be as variable as the wind, and equally as irresponsible in the judgment of its critics, the fact remains that they were the frantic resort of men who saw their intellectual edifice crumbling at their foundations which in practice proved to be inadequate to the demands of the superstructure. They plugged at one breach only to find the retaining walls bursting at another.

It can be stated apodictally that no adverse decision of the Supreme Court ever came with greater relief to all classes of the population than the unanimous opinion of that tribunal in the Schechter case which finally invalidated the Recovery Act. The Court really was compelled to act as undertakers in a matter where all the mem-

[24] Value, Price and Profit—Marx, pp. 59-60.

[25] Government and Economic Life—Lyon et al., Vol. II, p. 1056.

bers of the social family felt that their hands had been imbrued in the common guilt and where each was waiting for the other to pronounce the final end. The Court alone officiated at the formal obsequies. There were no mourners. American society breathed a little easier when the remains of their common crime were finally interred.[26]

Roosevelt as the architect-in-chief felt impelled to break a lance with the Supreme Court not over the main issue, the Recovery Act program, which he knew was no longer defensible, but upon the collateral question of the alleged usurpation of the Court in setting aside a law whose practical deficiencies and theoretical absurdities were patent to all. William Green, as head of the American Federation of Labor likewise protested, not in support of the N.R.A. philosophy of regulated capitalism, but against the removal of the bulwarks to a slash in wages which he knew would follow that decision.

So other individuals and special interests reacted in opposition to the court decision as best suited the requirements of face-saving, a necessity by no means confined to the heathen Orientals. But no one was found to speak in explicit defense of the Recovery Act philosophy itself as the cure-all for our economic ills.

FINAL COLLAPSE OF THE N.R.A. SYSTEM

This is a painful subject for contemporary historians, most of whom are liberal men and endowed with a highly developed social consciousness. Most of them were successively the supporters of the war to end war, and of the Versailles Treaty which on the whole was calculated to bring peace and security particularly through its League of Nations and World Court set-ups for some centuries to come, if not forever. Many of them were subscribers to the Coolidge-Hoover theory of the New Capitalism and the Kellogg-Briand Pact to outlaw war.

When suddenly the economic system crashed about their ears, they embraced the New Deal with missionary ardor, and when the N.R.A. collapsed they sought consolation in some of the salvage gains. But most seek forgetfulness in the assumption of an artificial historical aloofness that would consider the N.R.A. as just another of those events that must be recorded with the impartiality of an almanac and in the same manner, noting its birth, progress and death.

We cannot allow this too easy escape from the consequences of our collective incapacity. It is our duty to determine why the N.R.A.

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[26] America in Midpassage—Beard, pp. 263-4.

failed in order to derive from that knowledge the only positive result of social frustration that excuses all honest shortcomings if it will assist mankind in a clearer understanding of its problems, and perhaps cast a flicker of light upon the necessarily unbeaten path which is its future. If not much is made nowadays of the failure of the N.R.A. it is because we are all accomplices in its miserable existence and final demise.

Yet at the beginning it encompassed the hopes of all sections of the population for human salvation and social regeneration. Capital, labor, Republicans, Democrats, Socialists and in 1934 even Communists embraced that as a step forward toward a new social era.

The most glaring evils of our economic system were to be softened if not abolished. Profits were to be on a fair and secure basis. Crises were to be eliminated by regularizing production and consumption. The consumer was to be protected as to price and quality. Labor was to receive steady employment at a wage consistent with a higher level of well-being. Hours were drastically cut to spread employment; minimum wages were set; collective bargaining was assured; while technology, the result of social development was to be harnessed with a view to conserving present welfare, instead of as heretofore, being used as a weapon for unjust individual enrichment regardless of its consequences to the rest of society. The old laws of capitalist economy during its rugged individualism days were to be modified or legislated out of existence.

The chief instrument for such self-regulation was to be the codes set up by the industries themselves as approved by the President and enforced by the courts. The complex of laws which enter into the formation of the average rate of profit, the tendency toward a fall in the rate of profit with the increase in the technological requirements for production, the impelling forces which drive to counteract these influences through the concentration of capital, its centralization in the hands of bankers, the rise of finance capital, the unending search for markets here and abroad, the spread of imperialism to make certain access to raw materials and outlets for finished products and sources for the investment of capital in its dominant national exchange—all these decisive factors in capitalist economy were to be modified, if not completely harnessed on the domestic sphere by mutual agreement for the public welfare.

It is of no consequence that not one capitalist in a thousand, perhaps even less, knows of the inner workings of the economic system in which he functions. The laws of gravitation function as inexorably for the simpleton as for the philosopher. Our very practical agents in production and distribution know what they are about, while the pragmatical professors can be depended upon to rationalize what they observe.

But the whole of man's existence is a sardonic conflict between appearance and reality. All these practical men and their ideological representatives united in the formulation of the Recovery Act. After its inevitable collapse they shunned the responsibility associated with paternity. We have already indicated in our discussion of crises that the ultimate cause of all break-downs in the capitalist system is the inability to effect under all circumstances that essential smooth flow of production-circulation-reproduction which is the necessary rhythm of capitalism.

Much as we dislike leaving detailed elaboration of a vital point for future consideration, the reader will, we feel confident, acquiesce that the detailed presentation of the inner workings of capitalist economy belong in a specialized work. That we propose to do in the History of Capitalism in the United States. But at this juncture we desire to point out the utterly gross absurdity of Mitchell, Thorp, Thomas and other modern commentators who think they have contributed to our enlightenment by listing the dates of crises with sage remarks as to their alleged causes from 1558 to 1720 [27] as they apply to England, or draw conspectuses of business cycles as they apply to all countries from 1790 to 1925, regardless of their respective differences in social backgrounds. The principles established by the Historical Field Theory have demonstrated that even the term crisis possesses an historically limited signification, let alone the consideration of its causes and its social consequences.

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[27] Quoted by Bratt in his chapter on Business Cycle History, pp. 388-411.

CHAPTER XXIII

New Deal Programs for Agriculture and Sick Industry

A. PROBLEMS OF AGRICULTURE

AGRICULTURE AS A WAY OF LIFE

JUST as the New Deal attempted to escape the evils of modern capitalist economy by further regulation added to co-operation, so did it apply the same principles to the regularization of agriculture, with adaptations found necessary to the realities of this mode of life. For agriculture, even to this day is more a mode of life than subject to the strict operations of economic laws as they obtain in industry. Being so placed, it seems to combine the hardships of both even more so than their advantages.

Once more we view in agriculture the anomaly of man suffering because of over-abundance made possible by his too ingenious application of science and technology. Certain elements will jump to the one-two conclusion: Let us go back, they say, to the ways of our fathers and scrap science and curb technology in agriculture.[1]

Capitalism has made it possible for six million farmers with their help to supply a thriving population of over one hundred and thirty million, together with surpluses for export. But it is these very surpluses that have brought the farmer to ruin. The New Deal therefore set about to deal with these surpluses. As a consequence the Agricultural Adjustment Act became law on May 12, 1933. Its avowed purpose was to equalize the purchasing power of one quarter of our population, and the methods relied upon to accomplish this was the resort to acreage reduction by voluntary agreement, and to raise the domestic price by a process of indirect taxation upon the consumer. This in effect amounted to a subsidy for the farmer.

The bare statistics of farm income prove the desperate plight facing the farmers when Roosevelt assumed office. During the five year period from 1924-1928 inclusive the income from farm marketings averaged over ten and a half billion dollars annually. With 1930 the decline began until in 1932 it had fallen to around four and a half billion dollars.[2] The government was burdened by a heavy surplus in warehouses and elevators accumulated by the Federal Farm Board of the preceding Administration, while the current prices of staples had dropped to bankruptcy levels. The average farm price for a bushel of wheat in 1932-3 was 38.6 cents, while cotton in 1932 was 5.4 cents per pound.[3]

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[1] **Program for Modern America—Laidler, pp. 117-9.**

How to obtain co-operation from highly individualistic farmers was among the most perplexing of the problems confronting the Roosevelt regime. "The agricultural land of the United States," wrote Ely and Wehrwein in a recent book, "is in over six and a half million separate tracts, individually owned. Farmers have had so little success in getting concerted action that the Agricultural Adjustment Administration was created to help them adjust crops to demand." [4]

The methods resorted to by this organ of government abound in ingenious devices made necessary by capitalist economy to accomplish what in a rational organization of society is inherently a very simple thing—to transform a national surplus into a national blessing instead of a national curse. This is what the A.A.A. attempted to do. It soon discovered that a rational economy and capitalism are mutually irreconcilable. Something had to give way sooner or later. As long as the capitalist mode of economy prevailed that had to be the A.A.A. But before we undertake to write its obituary, let us review the general situation as it affected over six million farmers.

SOCIAL PHILOSOPHIES OF THE AMERICAN FARMER

From the very beginning of our democracy, the condition of the farmer has been closely allied to the welfare of the nation. But prior to the Civil War government policy was associated with assistance to the class as a whole, rather than with a view to aiding the individual farmer. Laissez-faire was an effective barrier to that.

Consequently we note that Henry Clay and his group who were the champions of internal improvements directed their efforts principally to making more accessible the untamed wilderness to the arts of husbandry; and by the same token, to allow a freer economic, social and political intercourse between the various sections of the country. Those were the days of the expanding frontier, the acquisition of outlets to the open sea for river-borne traffic, the building of overland routes, the construction of inland water channels, the development of navigable streams, and finally the spanning of the continent by the iron horse.

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[2] Government and Economic Life—Lyon et al., Vol. II, p. 915, quoting U. S. Dept. of Agriculture mimeo. of Jan. 30, 1940.

[3] United States Since 1865—Hacker and Kendrick, pp. 745-6.

[4] Land Economics—Ely and Wehrwein (1940), p. 59.

After the Civil War the Homestead Act was directed toward furthering the settlement of the national domain by family units, and enlarged allotments in semi-arid sections made it possible for the head of a household to accumulate lawfully 640 acres and more of public lands. Leaving aside abuses of this generous program by speculators and railroads, the general policy of assisting family units to settle on the land was carried through consistently until in the 1890's the last of the available unoccupied land had found a private owner. This resulted in the much over-emphasized closing of the frontier, a fetching soporific phrase which has quieted further inquiry into the sociological aspects of our history. The modern counter-part of that phrase—until the war boom opened up new avenues for industry—is that equally innocuous expression, the Mature American Economy.

In keeping with the general government program of assisting the class rather than the individual, railroad construction was stimulated, and a comprehensive system of farm-to-market highways was projected. Railroad rates were first subjected to government scrutiny in behalf of the agricultural interests. Communication, postal and parcel post services all were intended to help the farmers maintain closest touch with the national centers, to share in its experiences and benefit by its increasing wealth.

There was nothing paternal about it. We were still primarily an agricultural nation, while our industries throve in a protected market by the wealth created on our farms, and distributed in turn to the centers of production. Our industries owe their start to the purchasing power of the farmers in a market whose high tariff walls effectively barred competition. The prosperity of the nation in those days depended upon the prosperity of the farmers.

When our infant industries had reached to man's estate and spread themselves out into every corner of the domestic market and then into the world market, their diminished reliance upon the agricultural purchasing power resulted in a diminished interest in agricultural matters. But the momentum of our growth between 1900 and 1914 still carried forward the entire national economy. The United States was still a debtor nation, and our European creditors were content to receive their payment in the form of gigantic annual exports of our agricultural surpluses. Upon the outbreak of the First World War this dependence upon American farm products was increased enormously.

Our subsequent involvement in that struggle was the farmer's first notice that the United States had completed its evolution from a predominantly agricultural economy to a predominantly industrial economy where the farmers as a class, despite their undoubted political importance, were shown to be definitely subservient to the over-mastering power of monopoly-finance capital.

This became evident when Congress in 1917 passed the Food Control Act and set up the United States Grain Corporation as the sole purchaser of wheat. In the following year the Food Administrator established a fair price of $2.26 per bushel at Chicago. There is no question that the price was more than fair. In fact, at that excessively high price, land values were inflated to enormous proportions because of the high profits made. By guaranteeing the price and offering to purchase all that was offered, the land boom definitely was on, much to the farmers' later sorrow.

But here was the unusual part of this entire arrangement. As the world market then stood, the price of wheat in a free, competitive market had sky-rocketed to $3.45 a bushel. It was precisely to bring down the free market price from that fantastic level—but which the Allies' necessities compelled them to pay—that the United States Grain Corporation functioned in the service of the dominant industrial capital interests.

This was subsequently pointed out in many a bitter speech from the floor of the Senate in the 1920's by Brookhart, Capper and other spokesmen for the Middle West grain grower. Their complaint was, not that the government price was an unprofitable price, but that it was set in the interests of others than the farmer; and there was no gain-saying the justice of that contention.

This contention is true by the standard of justice of the capitalist market itself, which is the untrammeled right to sell in the best market. Having appealed to that principle of equity, agriculture had unwittingly surrendered its last claim to special treatment. Insofar as it was a business, it must henceforth reconcile itself to all the vicissitudes, as well as to enjoy all the benefits of free enterprise. Having demanded freedom, it soon obtained that with a vengeance in the calamitous consequences from which to 1940, twenty years after the event, it had not yet recovered.

After the end of the war and while the Armistice was still in effect, the exhausted Allies purchased avidly in this market, supported by generous post-war credits extended by their free and easy-going American associate.

But an end to the golden stream had to come some time. When American loans to foreign purchasers of our agricultural products ceased, exports were drastically curtailed, domestic surpluses piled up and the price collapsed in 1920. The government did not permit this outcome in cold-blooded fashion. The year before Congress appropriated one billion dollars to maintain the wheat price guarantee at the war-time level. It was obvious that this method of price inflation could not be continued indefinitely. The plug was pulled after much misgiving and virtuous admonition to the farmer to curtail production and lower his costs.

This unctuous advice could not be followed so easily. Other matters had intervened. Farm land values had sky-rocketed; heavy mortgage obligations had been incurred; the era of mechanization had set in; the farmers' standard of living had been raised. All these other plugs could not be pulled simultaneously with the same facility as the first.

Meanwhile the domestic market itself had been seriously curtailed. Different ideas were now current as to foods, and vegetables and dairy products were taking away a considerable portion of the market hitherto enjoyed by bread and meat staples. Tractors were taking the place of horses, and consequently reduced the demand for feed.

All these factors induced unrest on the farm, and a conference was duly called by President Harding in 1922 to consider ways and means out of the dilemma. This conference made a multitude of recommendations under no less than twenty-five heads.[5] Their very prolixity proved the insoluble nature of agriculture's dilemma on the basis of a capitalist economy into whose vortex it had been sucked.

Among these suggestions, but by no means the most important of their recommendations, was the proposal to establish a "stabilized dollar," no less, so that the farmer's selling and buying dollar could be equalized. The profound intellects gathered at the conference representing the best brains of current society in politics, business and education, unfortunately forgot to indicate how that miracle could be accomplished without the abolition of the capitalist system itself. But then it is extremely doubtful if many of those brilliant pragmatical minds even knew of the existence of laws in political economy outside of supply and demand which, of course, explains everything to those minds easily convinced.

[5] Government and Economic Life—Lyon et al., Vol. II, p. 882.

PLANS FOR AGRICULTURAL STABILIZATION

The McNary-Haugen plan of an export debenture to make the tariff effective for agriculture underwent several revisions with each defeat it encountered in Congress. In essence, all of them proposed to raise the price in the domestic market by the establishment of an equalization fee, or tax, to be levied on domestic processors in the first instance and passed on to the public. Through the centralizing power of the Federal government the surplus crop was to be dumped abroad,[6] so that in effect the American people were to be taxed to pay for the cheap bread for Europe, thereby increasing the power of European industrial producers to compete against our manufactures on the world market. Clearly the industrial capitalist class could not support such a measure. The Farm Bloc in Congress succeeded in passing the equalization fee plan in 1927 and again in 1928, but on both occasions it was vetoed by President Coolidge.

Regardless of the official Administration policy, all segments of society were agreed that the last bulwark of rugged individualism, the independent American farmer, had passed from the scene. Government intervention in meeting his problems was conceded as the only way out for the farmer who was now too heavily entangled in the processes of industrial capitalism to be left alone to his fate.

During his days of prosperity he had developed requirements for manufactured products, and American industry had been geared to meet the demands of that extensive market for tractors, trucks, family cars, and the hundred and one requirements of modern existence in the farm home and field. This led the Chamber of Commerce of the United States, in conjunction with the National Industrial Conference Board to set up a Business Men's Commission on Agriculture, to consider ways and means of rehabilitating this once prosperous market.

THE END OF LAISSEZ-FAIRE ON THE FARM

In due time this group issued a report embodying its conclusions. This report was almost revolutionary in nature, considering its source. It frankly recognized that agriculture had been left largely to the mercy of laissez-faire, while government support went to the building up of commercial and industrial enterprises. They dared not forget what the government had done for financial and industrial interests, and asked why the same could not be done for agricultural interests. "Agriculture," they declared, "is not merely a way of making money by raising crops; it is not merely an industry or a business; it is essentially a public function or service performed by private individuals for the care and use of the land in the national interest, and farmers in the course of their pursuit of living and private profit are the custodians of the basis of the national life. Agriculture is therefore affected with a clear and unquestionable public interest, and its status is a matter of national concern calling for deliberate and far-sighted national policies, not only to conserve the natural and human resources involved in it, but to provide for the national security, promote a well-rounded prosperity, and secure social and political stability." [7]

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[6] New Frontiers—Wallace, pp. 147-8.

No Socialist platform in the best days of that party could have stated the issue with greater clarity or conviction. The subsequent history of the national policy on agriculture on the part of Administrations, Congresses, and the omnipresent Supreme Court proves how slowly men adjust their thinking to the realities of agricultural life as expressed in that famous report.

That the seed so carefuly sown by the Business Men's Commission on Agriculture—consisting of ten executives of industrial, railway and banking corporations—did not fall on barren soil, was evidenced two years later when the Federal Farm Board was set up by the lymphatic Hoover as they recommended, under an Agricultural Marketing Act whose provisions bore a striking resemblance to the measures proposed by this group.[8] With the practical results of the Farm Board's operations we are not now concerned. At another place it was shown that their efforts to stabilize the market by purchasing the surplus crop ended in disaster for both the Board and the farmers. The important point here is that leaders of industry combined with leaders of agriculture in advocating a policy of government intervention in agriculture which spelled the doom of the traditional laissez-faire policy in the most formidable of its strongholds.

Later on the cry of regimentation was to be heard throughout the land, but the farmer had already tasted of the forbidden fruit and he liked it, as was evidenced in 1936 when Roosevelt plus regimentation carried all of the agricultural states. But the economic tragedy of the farm during the hectic 1920's had already prepared the farmer for a revolution in his thinking. This ingrained individualist was taught the advantages of co-operative marketing. He learned to lean on government for intermediate financing between sowing and selling to save himself from the exactions of usurious banking. And while the requirements of his economic situation compelled him individually to occupy as large a place on the market as his product could command, nevertheless he was no longer averse to a government-sponsored program of curtailed production if he were convinced that larger financial returns would follow from such a course.

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[7] Business Men's Commission on Agriculture; Report of 1927; quoted in Government and Economic Life (1940), Vol. II, pp. 895-7—Lyon et al.

[8] Ibid., p. 898.

THE FARMER LOOKS TO GOVERNMENT FOR AID

In short, the rugged individualist was now aware that he was a cog in a vast economic process, and that the best way of serving his individual interests as a social being was to co-operate with his fellows in his economic activities. That was the revolution on the farm, brought about not by propaganda or by force, but by the logic of events where the individual was left free to choose his course. The result was that the overwhelming majority of farmers voluntarily selected the one of organized, collective activity. At no time, before or after the New Deal, was any individual farmer coerced to agree to any government or co-operative program without his consent, and no program was initiated which did not meet with a substantial majority approval.

Economic Darwinism has been sedulously propagated as the natural state of man living in society. The rugged individualists of the Industrial Revolution during its heyday considered that as the best form of economic enterprise where the fittest survive, and the strongest is necessarily the most fit. Modern sociologists have discovered the significant role of co-operation and mutual aid in organized existence, and that not all the virtues pertain to the strongest arm wielding the heaviest club. Perhaps many weaklings who would otherwise have succumbed have survived to reproduce their kind; many others have outgrown those weaknesses, while not a few have contributed to society the imperishable monuments of their genius.

Competition on the economic sphere is not the natural, unalterable state of man. It is the consequence of an historically determined mode of production. Under feudalism where people tilled and raised crops to be consumed in accordance with the social custom of division there was no competition.

Even in the United States the laws of capitalist economy did not affect agriculture until the farmer became a consistent producer of commodities instead of merely use-values; of products which entered into exchange and had to realize in their price not only the cost of production in which differential rent plays an increasing role, but also an average profit on his capital investment. From a mode of living, predominantly, agriculture became a means for realizing cash with which to meet current obligations—rent, interest, taxes, and the price of those necessities the farmer now had to buy.

All that followed from then on was the result of the laws of capitalist economy asserting themselves with increasing vigor in that hallowed, traditional, conservative calling of agriculture. All the surpluses and costs of production problems, all the needs for turning crops into cash followed from the invasion of capitalism over the peaceful countryside, and brought with them the seeds for the dissolution of the ancient methods of this honorable calling. So, too, was transformed the character of the tillers of the soil who had never experienced the full fruits of civilization until they were brought under the aegis of the laws of capitalist economics.

Writing almost eighty years ago, when capitalism was first beginning to break down the barriers of a subsistence economy on the land, Marx devoted his forensic genius to the problems of a rational agriculture which now beset, or rather bedevil, contemporary society. "All critique of small property resolves itself in the last resort into a critique of private ownership as barrier and obstacle of agriculture," he wrote, "and so does all counter-critique of large property. In either case, we leave aside, of course, all minor considerations of politics. This barrier and this obstacle, which are set up by all private property of land against agricultural production and against a rational treatment, conservation and improvement of the soil itself, develop on both sides merely in different forms. In the controversy over these specific forms of the evil its ultimate cause is forgotten." [9]

VOLUNTARY CO-OPERATION VERSUS GOVERNMENT CO-OPERATION

The particular conditions existing in Soviet Russia at the time of the Bolshevik Revolution led the Stalin regime ultimately to undertake the forcible collectivization of small peasant holdings.

This is not the place to debate the merits of such mass destruction of private property or individual, traditional rights in land. Needless to say, such a policy is negatived on all counts by the historical conditions of American agricultural life. It is not helpful to the understanding of a problem to contend, as do the Reverends Ligutti and Rawe that the Soviet regime was actuated in its agricultural program principally by the desire to reduce twenty-five million Russian peasant homes to two hundred and fifty thousand collective farms where

[9] Capital—Marx, Vol. III, p. 945.

these family units could be better controlled and their homogeneity destroyed.[10] Many impartial investigations of rural life in America have shown similar disastrous consequences to family life and family independence without the malevolent designs of a Stalin.

Nor are we so Utopian as to advocate a schematic program for the solution of our grave agricultural problem without the consideration of all the elements which enter into the formation of the American rural social structure. The independent American farmer must be protected in his economic status. More, his position should be safeguarded by every economic device and legal bulwark that he himself would require to assure his continued existence in that mode of life of his free choice, and on a plane consistent with human dignity and our high ideals of spiritual and material well-being.

American agriculture must be divided into two divisions—first, agriculture for the commodity market principally; and second, agriculture as a way of life, primarily. At the present time both are inextricably interwoven for the great mass of small producers. Consequently the problem must be approached from both the economic and social point of view at the same time.

It is the outstanding merit of every program for agricultural relief advanced by the Harding, Coolidge, Hoover and Roosevelt Administrations that they always stressed the democratic participation of farmers themselves in the determination of the program to be followed and their methods of enforcement. It may appear to be cumbersome in the judgment of theorists, but experience has shown that it is the only way in consonance with the traditions of American life.

Indeed the only coercion held out is the prospect of greater financial and social gain with the farmer himself to judge upon his participation in its benefits, with ample provision for subsequent withdrawal from a plan upon the completion of his limited contractual relationship. But the term coercion is improperly used in this sense. "Threat of loss, not hope of gain is the essence of economic coercion," wrote Justice Stone in a memorable dissenting opinion upon the merits of the Agricultural Act.[11]

DEMOCRATIC PROCESSES OF THE A. A. A. PROGRAM

Despite the best efforts of the Federal Farm Board, the farmers of the nation's basic crops found themselves enmeshed in the general economic collapse which continued without abatement from 1929 to

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[10] Rural Roads to Security—Ligutti and Rawe (1940), p. 105.

[11] Public Control of Business—Stone (1940), p. 299.

1933. The Agricultural Adjustment Act was a deliberate attempt on the part of the government to assist agriculture directly through subvention by public funds derived from the extensive taxing powers conferred on Congress by the Constitution.

The method of procedure was two-fold: (1) to supplement what the farmers realized from the sale of their crops directly by cash benefit payments from the Treasury; (2) by cash payments conditioned upon the farmers' compliance with plans for the limitation of acreage. The general purpose was to limit the size of the crops and raise their price until such time that parity would be achieved in the farmers' income by the operation of normal economic factors without benefit payments, and establish equality between his position as a seller of agricultural commodities with his position as a buyer of industrial products. The statistics on farm and industrial prices had shown a considerable cleavage between the high prices the farmer paid for what he bought and the low prices he received for what he sold.

In order to raise funds to meet these payments, Congress laid taxes on the processing of the farm products, which in turn were to be reflected in higher prices paid by the ultimate consumers. By the year 1935 the government payments under the A.A.A. program amounted to $573,000,000.[12]

As an illustration of how the processing tax operated in wheat, during the year 1933-4, the net receipts by the government from the tax of thirty cents a bushel laid on the processor amounted to $108,000,000, while the total benefit payments made to the contracting producers amounted to $95,000,000. The estimated income from the 1933-4 wheat crop, including benefit payments, amounted to $376,000,000, whereas the year before the income on the wheat crop had been only $169,000,000. Of course, the latter sum reflected wheat at the ridiculously low price of 39 cents a bushel, whereas the 1933-4 crop was at 74 cents a bushel.[13] Other factors besides the New Deal methods had operated to bring relief from this collapse in prices.

Nevertheless the A.A.A. represented a turning point in government policy on two vital issues. The government was no longer content to play the role of an intensely partisan spectator in the grandstand rooting section, cheering on the farmers in individual or collective struggle, offering purely verbal help and guidance, and perhaps a push along when the umpire's attention was distracted. Now government undertook boldly and directly to accomplish by public

[12] Government and Economic Life—Lyon et al., Vol. II, p. 915.

[13] United States Since 1865—Hacker and Kendrick, p. 746.

funds two purposes; first, to restore the farmer to that position of parity with industry he had enjoyed with industry in pre-war days; and secondly, to pay cash for plowing under, or otherwise deliberately limiting production in order to raise the prices of his products.[14]

The overwhelming majority of farmers liked this program, and supported it by their voluntary agreement in the shape of a definite contractual relationship. Laissez-faire had expired in its last stronghold. Justice Stone pointed out in his minority opinion in the case which invalidated this very Act, in what whole-hearted agreement the cotton farmers supported this form of government assistance. When the Agricultural Adjustment Act was put into operation for cotton, 6,343,000 acres of productive cotton land, or fourteen percent of the total refused to participate in the plan in 1934; but so fair and beneficial were its policies that in 1935 only 2,790,000 acres, or six percent of the total, did not participate.

It is interesting to note that the smaller the farm, the more unregenerate was the individualistic farmer. While the percentage of cotton acreage agreeing was so extremely favorable to the New Deal program, the percentage of dissenting cotton farmers was much higher. Of the total number of farms growing cotton estimated at 1,500,000, thirty-three percent in 1934 and thirteen percent in 1935 did not participate.[15]

Even after the fluctuating fortunes of politics, court decisions, adverse economic conditions and plain human cussedness the cotton growers as recently as December 1938 approved the current form of government assistance by a majority of eighty-four percent.[16]

Such a stalwart champion of rugged individualism as Willkie, the 1940 Republican aspirant to the Presidency, at a conference of farm leaders in the heart of the agricultural Mid-West at Des Moines, took excruciating pains to make his position clear in regard to government interference with eternal economic laws as they apply to the farmer. "If elected President," he promised with eyes rolling heavenward and hand over his heart, "I will not take away any of the benefits gained by agriculture during the past few years. I do not favor changing the present program unless a better one is gradually evolved." [17] Thus spoke the anti-New Dealer who would out-deal the New Deal.

[14] Government and Economic Life—Lyon et al., Vol. II, pp. 914-5.

[15] Public Control of Business—Stone (1940), ed. by Lief; selected opinions, p. 300.

[16] Government and Economic Life—Lyon et al., Vol. II, p. 924.

[17] Reported in New York Times, Aug. 7, 1940.

PLOUGHING UNDER AND CROP RESTRICTION

Yet there is something about this program of ploughing under and crop restriction which goes counter to deep-seated human emotions. The spokesmen for Technocracy, an intellectual scheme for social regeneration put forth by a group of so-called social engineers in 1933 whose vogue at that time proved both the extent of social disintegration in economics and in thinking, spoke with a universal appeal when they pointed out the incongruity of the enormous productive capacity of the American farm and factory, together with the mechanical schemes for curtailment of production in order to raise prices.[18] At the same time there were tens of millions of human beings in this country who were ill-clad, ill-fed, and ill-housed, while millions of men were tramping the streets in the vain search for work before closed factory gates, and millions of others received for their toil a pittance which condemned them to blighted lives bereft even of the most elementary rights to a decent existence in return for their labor.[19] This was the pro-social, perhaps the technical, aspect of our economic problem.

On the practical side, the plowers'-up of fertile fields, and those who would cut the throats of little pigs and calves endlessly in order to sustain the price of meat products; soon found themselves faced with another dilemma. Somehow surpluses did not decrease as expected.

Less pigs meant more corn. While every fourth row on the growing cotton field was plowed under, favorable weather, more intensive cultivation and the judicious use of fertilizer increased the yield of the remaining rows. An acre of cotton now produced on an average 209 pounds where only 174 were obtained before. To everybody's embarrassment the cotton crop of 1933, with all its curtailment and plowing under, was at large as that of 1932.[20] Of course, many factors beyond human control contributed to this result, but the normal motives of a profit economy could be depended upon to create the rest.

From the political side, the undoubted recovery experienced by the nation after 1933 had renewed the courage and the bravado of private enterprise. While the devil was sick, he yelped piteously, or cried out as devils are wont to do, to be nursed back to health with the aid of the government's miraculous golden medicine. By May,

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[18] The Plan of Plenty—adopted by Continental Committee on Technocracy, July 4, 1933.
[19] Ibid., p. 9.
[20] United States Since 1865—Hacker and Kendrick, p. 773.

1935 private enterprise had recovered sufficiently to knock out the National Industrial Recovery Act through whose ministrations it had been restored to vigor. In January, 1936 the champions of rugged individualism scored another tremendous victory over the good Samaritan when the Agricultural Adjustment Act was similarly dealt with. Both important victories were scored with the Supreme Court wielding the bludgeon of attack, and in broad daylight, necessarily.

THE SUPREME COURT VOIDS THE NEW DEAL

That the highest tribunal as then constituted should be the instrument for administering the fateful blow to the New Deal economic program was the logical consequence of its history. The judges had been carefully selected by Roosevelt's predecessors upon the basis of their training and their loyalties. No responsible person ever questioned their integrity. They, or rather the majority of them, had been brought up in the laissez-faire school of thought. They looked upon private industry, and its noblest fruition, the corporation, as the foundation of our economic life, and any permanent interference with its fundamental processes as bound to undermine the pillars of our institutions and the theory of government they were sworn to uphold. As the particular guardians of the Constitution, they were obliged to respect the limitations placed upon the respective spheres of the organs of the national government, and the division of authority between the Federal and State organs. It was their duty, under the guise of preserving constitutional forms, to pass upon the merits of this legislation born out of chaos created by recent developments in society, and formulated in a blind, groping fashion to meet the issue. To all this the Supreme Court was to apply the time-tested rules of constitutional lore.

In the human intellect there is an undoubted, if unconscious, association between exalted position and exalted capacities. The learning of the judges can well pass unquestioned; but no one has yet demonstrated the proposition that learning and understanding are synonymous. Often they are mutually exclusive. For learning is predicated upon one's acquisition of the achievements of the past, while understanding is the capacity to grasp the significance of events as they develop, together with a knowledge of the forces which brought them into existence.

Understanding must be predicated upon learning, and the possession of that essential intellectual flexibility which enables mere knowledge to assume a plastic mold in accordance with the forces that impinge upon it. Judgment is the ability to appraise the permanent from the transient, the fundamental movement of things from the surface undulations. "All judgments," wrote Kant, "accordingly are functions of unity in our representations, inasmuch as, instead of an immediate, a higher representation, which comprises this and various others, is used for our cognition of the object, and thereby many possible cognitions are collected into one. But we can reduce all acts of understanding to judgments, so that understanding may be represented as the faculty of judging." [21]

The world is full of judges who possess neither judgment nor understanding. This highest quality of the human intellect—particularly when applied to social problems of great complexity—is possessed by very few. As far as the Supreme Court membership is concerned, this rare quality is independent of age, or previous standing in the legal fraternity. Few really great judges have sat on that bench, though it always possessed many competent ones. Such intellects as that of Holmes, Brandeis and Cardozo are a rare combination of natural gifts and vibrant sensitive personalities. The country was fortunate to have them on the bench at that period, though not simultaneously, for their influence will be felt long after the last of them has passed on in God's good time.

The Court has undergone considerable change since 1935, the detailed nature of which it will be a pleasure to record later on. But the final result, baldly put, is that the Court is now packed with New Dealers where before it was packed with old fogies. For all their solemnity, judges are merely hired intellectual prize-fighters, but now, fortunately for a good cause. Of its present membership only Stone has proven himself a worthy successor to the grand tradition. The rest have yet to show their worth, with much splendid material among the recent acquisitions to the bench of this great tribunal.

Eventually the A.A.A. had to pass before the Court's review. The essence of its program was to curtail production by taking land out of cultivation for which benefits were to be paid from the public funds. The source of these funds was no mystery. A processing tax was to be placed upon the industrial producer using these products or preparing them for consumption. Ostensibly the proceeds of this tax were to pass into the general funds of the treasury, and the farmers were to be paid their benefits from the public moneys. Actually those funds were deposited in the Federal accounts, but as a practical proposition the connection between the tax levied and the benefits distributed were so patent that they could not be dissociated.

[21] Critique of Pure Reason—Kant, p. 55.

Nor did Congress even pretend to do so, though technically it drew a distinction between the moneys collected by the processing tax, and the subsequent benefit disbursements from the general funds. The Act treated them as two separate transactions, either of which was valid and within the scope of its constitutional powers. The questions posited by the issue as it came before the Supreme Court through the Hoosac Mills Corporation acting by its receiver, William M. Butler, were the constitutionality of Congress' attempt to regulate agriculture, and to collect taxes for the benefit of a particular class of our people. To both questions the majority of the Court by a vote of six to three returned a negative answer. The Court ruled that agriculture by its very nature was an intra-state activity, and that Congress had no power to regulate production within the province of the state. Consequently Congress could not spend money raised by taxation for a purpose beyond its province.

Justice Roberts, speaking for the majority, pointed out the evil consequences that would follow if Congress had resort to the taxing power levied upon the generality for the purpose of distributing the proceeds to redress the deficiency of income among special classes of the community.

Since the principles of this decision have since been specifically over-ruled by a new majority, due to the re-making of the Supreme Court's membership, in a decision in Mulford v. Smith rendered on April 17, 1939, the position taken by the Court in 1936 possesses only academic interest.[22] This, however, is not inconsistent with historical interest. Nevertheless much is to be gained by the consideration of the earlier minority position as voiced by the dissenting opinion of Justice Stone in which Justices Brandeis and Cardozo concurred. The lucidity and logic of Stone's argument fully merits the characterization of Ciceronian clarity which Beard applies to it.[23]

THE SUPREME COURT MINORITY OPINION OF 1936 BECAME THE MAJORITY OPINION OF 1939

After alluding to the hallowed principles of judicial construction which limits the Supreme Court to consider only the power of Congress to enact statutes, and not with their wisdom, Stone points out that while the executive and legislative branches of government are subject to judicial restraint, the only check upon the Court's power is its own sense of self-restraint. While this admonitory sentiment does honor to Stone's humility, the ensuing two hectic years of the Court's history proved that even the Court cannot long remain a law unto itself.

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[22] Alfred Lief in note to Stone's opinion contained in Public Control of Business—Stone (1940), p. 305.

[23] America in Midpassage—Beard, p. 269.

The gravamen of the A.A.A. legislation, Stone pointed out, was to relieve the depressed state of agriculture nation-wide in its extent and effects. No one questioned the deplorable state in which farmers everywhere found themselves. The constitutional power of Congress to levy an excise tax upon the processing of agricultural products is not questioned. What is questioned is the uses to which the proceeds of that tax are put. A levy unquestionably within the taxing power of Congress is declared invalid because it is a step in a plan to regulate agricultural production and is thus a forbidden infringement of state power.

In saying this method of spending public moneys from the general funds is an invasion of the reserved powers of the state, the majority opinion does not assert that the expenditure of public funds to promote the general welfare is not a substantive power specifically delegated to the national government, as Hamilton and Story pronounced it to be. "The Constitution," Stone argued, "requires that public funds shall be spent for a defined purpose, the promotion of the general welfare. Their expenditure usually involves payment on terms which will insure use by the selected recipients within the limits of the constitutional purpose. Expenditures would fail of their purpose and thus lose their constitutional sanction if the terms of payment were not such that by their influence on the action of the recipients the permitted end would be attained. The power of Congress to spend is inseparable from persuasion to action over which Congress has no legislative control."

The lack of legislative control does not bar Congress from setting up certain conditions as a prerequisite to receiving public funds, Stone contended, provided those conditions are in furtherance of the national purpose for which the money is appropriated. "If appropriation in aid of a program of curtailment of agricultural production is constitutional, and it is not denied that it is, payment to farmers on condition that they reduce their crop acreage is constitutional. It is not any the less so because the farmer, at his own option, promises to fulfill the condition."

Stone repeats Holmes' warning that courts cannot arrogate to themselves the sole power as the guardians of the people, and that courts are not the only agency of government that must be assumed to have capacity to govern. He makes an important addition to the maxim of the incidental powers of Congress laid down by the Great

Chief Justice when he adds by indirection that, let the expenditure be to promote the general welfare; still, if it is needful in order to insure its use for the intended purpose to influence any action which Congress cannot command because within the sphere of state government, the expenditure is constitutional.[24]

There is no question but that Stone's dissenting opinion exercised a tremendous influence over the minds of Representatives and Senators, the great majority of whom were lawyers. Here was a truly judicious pronouncement based upon the realities which confronted them in their daily legislative duties. These men could not hide behind the sonorous platitudes of the majority opinion or the sententious expressions of hope, yet of legislative helplessness, in the face of a national disaster.

If the kind of democracy envisaged by the unyielding six judges of the Supreme Court could not work, the kind of democracy preached by the dissenting three could be made to work. It was the perspicuous recognition of this underlying current of American thought that encouraged Roosevelt to gird for the coming struggle against the Dictatorship of the Nine Old Men. It was apparent that the President's battle as it developed was not against old men in general on the Supreme Court bench, but against the unyielding mossbacks upon it who had fallen too far out of line with the swift moving current of the times.

The country could not return to the harrowing days when the farmer's home, his land, equipment and livestock was to be sold to the highest bidder. True, the debt-oppressed farmers learned to circumvent the processes of the law by bidding in their neighbor's property at a few cents on the dollar, or even the hundred dollar, and returning the property thus obtained to its original owner free of debt. Then money lenders, insurance companies and trustees of fat endowments invested in farm mortgages recognized that nothing could be got by insisting upon the letter of the bond.

These exponents of High Respectability [25] were not averse then to the government going into the farm credit business and making good on a three percent Federal Farm Mortgage bond the practically worthless, or at any rate illiquid, six or eight percent private mortgage on farm property long in default. As of December 31, 1936 the Federal Government was involved in land-bank financing and refinancing to the extent of $1,965,000,000 of bonds then outstanding, and that kind of dollar regimentation looked sweet to the champions of rugged individualism in the financial marts of the nation.[26]

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[24] The above is a summary of Stone's classic dissenting opinion; see Public Control of Business—Stone (1940), edited by Lief, pp. 296-305.

[25] America in Midpassage—Beard, p. 244.

If the pillars of society did not hesitate to bend beneath the burden and cut corners for self-preservation in violation of all physical laws, lawyers in Congress and outside of it were soon scanning the oracular judgments from on high via the Supreme Court for loopholes whereby they could cut constitutional corners and accomplish by indirection what the court specifically interdicted.

B. The Coal Industry

PROBLEMS AFFECTING THE MINING OF COAL

During 1933-35 coal mining was regulated by the code of the industry under the provisions of the N. R. A. Upon the invalidation of that Act, a separate law was enacted commonly known as the Guffey-Snyder Act. Coal had long been a sick industry even during the 1920's when industry in general was enjoying great prosperity.

The causes of the difficulties in the bituminous coal field were that there were too many of them, and the resulting competition in the best traditions of rugged individualism had brought general ruin not only to capital, but to labor as well. Coupled with improved mechanical methods of cutting, loading and transporting coal in mines that required large investments of capital, the demand for coal had fallen considerably due to the increasing competition of other sources of energy derived from oil, natural gas and hydroelectric power.

During the first twenty years of the twentieth century bituminous coal had supplied about 70 percent of the heat and energy generated in the United States. By 1923 this percentage had declined to 60, and by 1935 to 45 percent.[27] Increased technical efficiency in the use of coal resulted in a saving of its consumption in the generation of electrical energy of nearly 40 percent, and a reduction of coal consumption per ton-mile by railway locomotives of 24 percent. The average price of coal at the mines declined from $3.20 a ton in 1920 to $1.78 in 1929. Thousands of mines were closed during this period, resulting in a reduction of employment from 700,000 men to 500,000.

The disorganized state of the industry gave opportunity to the functioning operators to increase the hours of labor, as was evidenced by the fact that although the number of workers declined 30 percent the man hours worked declined only 13 percent. Wages were greatly reduced and the power of the mine-workers' union was seriously impaired. "The immediate source of the difficulties of the bituminous coal industry was the existence of a productive capacity so great that it led to prices inadequate to cover total costs." [28]

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[26] Government Corporations and Federal Funds—McDiarmid (1938), p. 114.

[27] From Bureau of Mines, quoted in Government and Economic Life—Lyon et al., Vol. II, p. 958.

Professors of economics in the institutions of learning could teach the marginal theory of value, and debate the respective merits of the Austrian and English schools of thought, but in the office workshops of industry cost accountants who never heard of Marx, and who would deny with indignation ever having anything to do with this disreputable person or his theories, still used the Adam Smith-Ricardo-Marx labor theory of value in their reckonings of the state of a business enterprise with its cost of production and price of production which included the average rate of profit. That infantile resort to supply and demand was inadequate as an explanation of the inner workings of capitalist economy, as the coal operators among others had long since discovered in spite of the professors who still teach it.

Along with all industries affected by the N.R.A., a code was drawn up by the coal operators for the regulation of their business practices. Fair prices were to be fixed by representatives of the producers subject to review by the Administrator. Dumping prices were interdicted. Minimum wages were set. The hours of employment were to be forty hours maximum a week, and eight hours a day. Complete unionization was achieved, and the United Mine Workers of America under the astute leadership of its dynamic leader, John L. Lewis, was to emerge as the most powerful single unit among the labor unions of the United States.

While the code was enjoying the first fruit of its enthusiasm the number of workers increased, wages were comparatively high, prices and trade conditions were stabilized. But long before the code for the coal industry and all other codes were invalidated by the Supreme Court, the operators had reverted back to type under the all-impelling motives of capitalist economy. Price-cutting was at first surreptitious, then flagrant; other restraints to greed were violated. The N.R.A. machinery could no more enforce its codes than the Federal government a decade before could enforce the sumptuary law against intoxicating liquors. The coal code was dead on its feet when the Supreme Court decided to inter it decently.

Long before the Schechter N.R.A. decision Congress held hearings on the state of the coal industry. Between 1914 and 1937 no less than nineteen governmental investigations had been conducted upon this recurrent industrial and national problem. All factors—capital, labor, and industries dependent upon coal supply—welcomed government intervention, and perhaps effective assistance. Since the turn of the century the status of the bituminous coal industry has fluctuated between special federal control with or without consent, and that of a free and strongly competitive enterprise.[29]

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[28] Government and Economic Life—Lyon et al., Vol. II, p. 957.

As a result of the hearings conducted during the early part of 1935 the Bituminous Coal Conservation Act was passed. This law was intended to enforce fair prices as established in twenty-three productive districts by the Coal Commission functioning under the act by levying a tax of 15 per cent of the sale price of coal at the mine, but refunding 90% of the tax money thus collected to the operators who complied with terms of the Act.

Second in importance among the provisions of the law were those concerning labor's right to collective bargaining and the establishment of fair conditions of employment including wages, hours, and control over company stores, houses, and checkweighmen who kept records of piece production.

THE SUPREME COURT INVALIDATES THE COAL CONSERVATION ACT

In due time this act, commonly known as the Guffey Act, came before the Supreme Court for review. This matter is important for the insight it casts into the mental processes of our highest court as it was constituted in 1936. It is equally important because it affords us the most concrete kind of evidence upon the actual functioning of our economy, the political measures adopted by those in control of the state to meet its problems, and the ideological reactions of both the majority and minority of the Court which expressed the views of their respective sides with greatest clarity and cogency, as well as of the public at large relative to their respective economic and social philosophies.

The Supreme Court decisions of 1935-36 present a succinct summary of the controlling attitudes in contemporary American life. In the first place the Court was dealing with actual problems to suit the most rigid requirements of pragmatism. The issues affected powerful vested interests who possessed both the determination and the means to protect them by hiring the best legal and technical brains that their vast resources could command. While money may be lacking for dividends, corporate management can be depended upon to find the cash for the prosecution of their legal rights. In the findings of fact and pleadings of law we observe the actual functional operation of our social institutions in the realm of economics, the state, and their ideological reflexes; a fact which is conspicuously absent even in the best-ordered handling of the same problems by theoretical economists and social philosophers in our institutions of learning.

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[29] Government and Economic Life—Lyon et al., Vol. II, p. 948.

Examination of the majority and minority opinions[30] are in themselves a liberal education in the processes of the thought of their time. While the Court divided differently on those phases of the Guffey Act dealing with price fixing and the labor provisions, nevertheless there was a consistent minority which supported the law all along the line. Obviously, this group was composed of the broad-visioned Brandeis, Stone and Cardozo, with Hughes playing his usual diplomatic compromising role.

There was little difference between the opinions as to the purposes of the act and the findings of fact. The objectives of Congress, both agreed, were to stabilize the industry by preventing waste of a vital national resource, to eliminate price-cutting with its attendant loss of profits, low wages and intermittent strikes.

Congress desired to promote interstate commerce by regularizing labor relations and adjusting the disparity in costs of operation by co-operative marketing of coal. It therefore declared the dealing in soft coal to be affected with a public interest, as a necessary element in interstate commerce, and subject to Federal regulation.

In order to conserve the natural resources of coal and to provide for the general welfare the Coal Commission was set up to carry out the provisions of the act. Chief among them was the 15% tax to be levied at the mine, with the 90% drawback for the assenting producers. The act was to be operative upon all when working agreements were reached with representatives of two-thirds of the total production, and one-half of the workers employed.

The majority of the Court in their findings of fact decided that the production of coal is an intrastate activity; that coal is the nation's primary source of energy, and its interstate distributions should not be restrained; that such coal is generally sold F. O. B. at the mine, and the predominant portion is shipped out of the state when it is brought to the surface; that intra- and interstate distributions is so connected that a Federal law influencing its movement over state boundaries must influence its production at the source. The majority also found as a fact the existence of destructive competition, extensive price-cutting, intermittent strikes and general disorganization of the industry.

Upon the findings of law the majority opinion was agreed that the so-called tax provision was really a penalty for non-conformance and therefore was not an act which could be justified as an exercise of the taxing power of Congress. While law-makers are free to give a different meaning to words, that device does not change the nature of its acts. The powers of Congress are specific and not general. It is not a question of the worthiness of the end sought, but of constitutional powers to act in the premises. The Constitutional Convention specifically denied to Congress power to legislate for the general welfare, while the Tenth Amendment reserves to the States and to the people all powers not specifically granted to Congress by the Constitution. The State powers can neither be appropriated nor abdicated.

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[30] Published in New York Times, May 19, 1936.

The commerce clause relates to intercourse between the States for purpose of trade, purchase, transportation, sale, communication, but not to industry, or commerce at the situs. The fact that the product of manufacture is for interstate commerce does not clothe Congress with the power to determine rules for the carrying on of that production. In the Schechter Case which overthrew the N.R.A., the issue was of commerce where the flow had ceased in that particular retail establishment; in the Carter Coal Case now at issue the flow had not yet begun at the mouth of the mine. Nonetheless the tax was exacted at the source. The submission by the minority of the industry is not by "acceptance," but by yielding to force. The price-fixing provisions of the law are inextricably woven with the labor provisions, and the fall of the former carried with it the fall of the latter.

Justice Cardozo voiced the minority opinion for his group. There the contention is advanced that the provision for minimum and maximum prices are a valid exercise of authority, for to regulate price is to regulate commerce itself. By that very act sale and purchase is limited and governed. Since prices in interstate commerce cannot be regulated by States, they must therefore be subject to action by the national government.

Cardozo enunciated the firm principle that the powers of government are as broad as the need that evokes its exercise. During twenty-three years, he went on, there had been nineteen Congressional investigations. Congress cannot be condemned to inaction in the face of destructive price wars, wage wars, industrial anarchy and financial bankruptcy. Free competition is not a fetish, but a social good in so far as it meets a social need, and a social evil when its results are destructive to the national economic fabric.

The Act did not suffer the infirmity of excessive delegation of power to the Coal Commission. The prices to be fixed must follow definite standards as to cost of production, area of control, conditions of the market, competitive fields and actual prices. The provisions of the act as to price-fixing and labor conditions are severable. At best the complainants cannot "cry before they are hurt," since the labor provisions had not yet been put into effect. The tax is undoubtedly in the nature of a penalty. But the penalty is adopted as a lawful sanction to compel submission to a valid law. Failure to agree on hours of labor and wages would make the statute abortive, and any decision now would be in the domain of prophecy.

THE SUPREME COURT IN 1940 OVER-RULED ITSELF

Four years after this decision declaring unconstitutional Congress' effort to regulate the coal industry by fixing prices through regulation and the exercise of its taxing power, these issues came on again before the Supreme Court for review. This time it was the Bituminous Coal Act of 1937.

Congress was not inclined to abdicate its legislative powers upon the fiat of the Court, while the President exhibited even greater belligerency in his attitude toward the members of the judicial All-Highest. Under the provisions of the 1937 Act district boards were set up to establish prices to yield a return per net ton for each producing section in a minimum price area. These boards were to be composed of three to seventeen members, all of whom must be code members except one.

Ten minimum price areas were set up. The costs provisions of the law's text might have been taken from Marx's Capital for they included the costs of labor, supplies, power, depreciation and depletion, all of which are component elements of the value of a commodity.[31] This time the tax and drawback provision of the earlier law was replaced by a tax of 19½ percent of the sale price of coal at the mine imposed only on producers who do not accept or are denied membership in the coal code.

It is significant to note how the Supreme Court viewed the matter as it published its decision on May 20, 1940. Much water had passed by the judicial mill since 1936 and there had been a considerable washing away and replacement of material on the bench itself. This time the Court supported an essentially similar price-fixing and tax-penalty act by the startling vote of eight to one. Only one die-hard, Justice McReynolds, stood by his guns, but they were badly shattered and he was content only to fire one weak salvo in a dissenting opinion consisting of the single sentence: "The law is beyond any power granted to Congress."[32] Justice Douglas, speaking for the impressive majority, contended just as firmly that "the regulatory provisions are clearly within the powers of Congress under the commerce clause of the Constitution."

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[31] Government and Economic Life—Lyon et al., Vol. II, p. 973.

This kaleidescopic change in the Court's position is too striking not to have been achieved by impressive changes in the social milieu. The Constitution was the same, but the Court was no longer the same. Only three justices who opposed the first act were now on the bench, and two of them, including the Chief Justice, were not ashamed to right about face without blinking an eye or even the twitching of a face muscle to indicate their judicial regeneration from the ways of sin. They took it on the chin like good sports.

It is absurd to argue that for men of their age a body of truths passionately enunciated four years before were now transformed into gross errors, and their direct opposite was to be embraced with equal enthusiasm. The coal company opposing the Act of 1937 raised all the objections interposed so successfully in the past: The unwarranted delegation of legislative power, the invasion of State rights, the imposition of penalties in the guise of a tax, and all the hoary points argued with such effectiveness by the majority opinion of 1936.

Now Justice Douglas quoted approvingly the erstwhile minority opinion of Cardozo in the former adjudication. Douglas spoke with the freshness of a new age, for an imposing majority composed in part of new, red blood and old blood now run to straw and having lost the relish of battle. "Congress, under the commerce clause," he said in forthright language, "is not impotent to deal with what it may consider to be direct consequences of laissez-faire. It is not powerless to take steps in mitigation of what in its judgment are abuses of cut-throat competition."

Of almost equal significance is the fact that whereas in 1936 the New York Times gave a front-page multi-column spread to the Guffey Act invalidation together with verbatim reports of the opinions on inside pages, the 1940 decision was abbreviated to a single column adjoining the real estate ads in the second section. Of course, that was not due to a desire to minimize the bad news. Supreme Court decisions cannot be suppressed. But the Times by doing so conceded that the battle for the control of the Court has been fought—and lost for their side.

This, in some respects, is equivalent to a moral demonstration of the validity of the theory of the Continuing American Revolution.

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[32] New York Times, May 21, 1940.

The forces of democracy let loose by the Revolution of 1775 have far from spent their force. In fact, they have realized but a fraction of their potential powers. We have won in a fair measure the accoutrements, if not the substance, of genuine political democracy. We are now in the thick of the battle for economic democracy. And we still have a measurable distance to go to achieve the goal of social democracy.

POLITICAL THEORISTS OUT OF TUNE WITH THE TIMES

It is this inability of the liberals and radicals of a former day to evaluate the significance of the social processes taking place under their very eyes which leaves men like the formal Progressive, Wheeler, and the formal Socialist, Laidler, standing along the sidelines mouthing their shibboleths to an uninterested world, while the very processes by which this world is moved is driving toward the achievements of the objectives which they once advocated. Now they stand aside, shouting epithets or placing obstacles in its path.

Senator Wheeler in 1926 introduced a bill empowering the President to organize a Federal Anthracite Corporation with a capital stock of $600,000,000 for the purpose of acquiring part or all of the anthracite coal properties of the nation.[33] Whereas in the bituminous coal field there are over 1500 companies operating 10,000 to 15,000 mines in 24 states, the anthracite coal industry is confined within the borders of Pennsylvania, and about 80 percent of the industry is controlled by eight large companies. According to orthodox theory it is easier to expropriate with compensation eight private owners than fifteen hundred, as in the bituminous coal industry.

Wheeler's proposal received short shrift. He could not have obtained a baker's dozen in the Congress of that year for his proposal. These champions of classical nationalization do not appear to recognize that a vast group of circumstances, political, social and ideological, are operating to effect substantially the same purpose but through other means than the cut-and-dried offer of purchase and sale.

There were any number of sick industries—whether chronic or temporary is of little significance—in 1932-3 that would have been glad to be taken over by the government, but neither the government nor society as a whole was then prepared for that step. They are not now prepared to so do. But there are many roads that lead to Rome.

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[33] Program for Modern America—Laidler (1936), pp. 229-30.

CLASSICAL THEORIES OF NATIONALIZATION

There is no question but that in the future such opportunities to effect nationalization of major industries will again present themselves. Everything will depend upon the ideological preparation of the people whether that nationalization will take the form of control by a dictatorial state apparatus, or by the rational processes of democracy. The history of state regulation, of price control, conditions of labor, rates of profit, social insurances and other mechanisms of state supervision of private industry we traced from the first establishment of the Interstate Commerce Commission to the most recent denunciation by the Supreme Court of the anti-social aspects of classical laissez-faire, all tended to show how gradual has been the preparation of the people for its next step in social progress. These concluding pages must deal necessarily with the various programs of polity advanced by the effective groups within the nation. We will show that both the nature of nationalization and the manner of its achievement will be far different from that contemplated by nineteenth century ideologists.

Laidler repeats in our day the mechanical phraseology of orthodox Socialism concerning the public ownership and democratic control of major industries with adequate safeguards against inefficiency, bureaucracy and dishonesty.[34] Were he and his group, though multiplied many times in numbers, to have these industries thrust upon them without adequate social preparation for these responsibilities, chaos or dictatorship would inevitably result; and modern society is too highly evolved to accept the former for long, even in the so-called transition period, which is the philosophic excuse for inadequate ideological and political preparation of the masses.

Laidler is eminently justified in assuming that in the long run Socialist planners could depend upon such subtle but effective influences as a good and increasing salary, economic security, a chance to participate in the conduct of industry, the approval of one's fellow-workers, the joy of creative labor, to keep socialized industry going upon a level never before attained by capitalist society.[35] But the critical period for contemporary history, as for all history, is precisely this transition from one mode of production to another, and the adaptation or modification of the form of the political state during this period. These problems should call forth our acutest faculties if we are to avoid disaster.

[34] Program for Modern America—Laidler, p. 230.

[35] Ibid., p. 482.

No wars, no matter how sanguinary or how great the destruction, ever exacted such a toll as follows from bungling with the intricate mechanism of the social organization. Our program must be based upon the realities as they exist, and our capacity to mould society toward the desired goal. That is why the classical Socialist program for America as enunciated by Laidler sounds so unreal, so far away, so Utopian, so desirable and yet so unattainable; and withal so certainly destructive of the very goal it strives to attain.

CHAPTER XXIV

The Re-Making of the Supreme Court

PROBLEM OF THE NINE OLD MEN

MEN OF the stamp now in control of the democratic state in the legislative, executive and at last in the judicial branch of government cannot afford the luxury of indulging in social experimentation. Their problems are real, and they must be met in a practical way. Unfortunately, theirs is the pragmatical way, but that is to be expected from men who have fought their way up to the top by the use of current weapons rather than through the invention of new ones; the latter naturally is reserved to the personal leadership methods of the Hitler or Stalin type.

When the unyielding Supreme Court of 1935-6 threw out all the basic ameliorative measures of the New Deal, Congress and the President had either to submit or look around for other ways to accomplish their reforms within the framework of our government. The nation's problems were still there, and none recognized their gravity more frankly than the Supreme Court itself. But it simply declared that the New Deal methods were not the constitutional way toward their solution. Of ten first-rate cases affecting the New Deal that came before it, the Court had declared eight of them unconstitutional, had given limited approval to one affecting the Tennessee Valley Authority, and had sustained by the closest margin the gold-clause case by which monetary gold was nationalized.[1]

By that act the ounce of gold had been raised in value from $21.67 to $35, resulting in the devaluation of the dollar to 59 cents, while contracts whose terms declared that payment must be in gold were considered discharged upon the offer of currency declared to be the legal tender in settlement of all private and public debts. Despite the overwhelming significance of the factors involved in the devaluation of the dollar and the nationalization of monetary gold, it was only the political acumen of Justice Hughes rather than the legal merits of the issue which impelled him to side with the majority of five in the Norman v. Baltimore and Ohio Railroad Co. Case.[2]

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[1] America in Midpassage—Beard, p. 286.

"In deciding this case favorably to the government," writes Alfange, "the Court clearly established the proposition that Congress, in the exercise of its delegated powers, may impair or even destroy private obligations without compensation whenever the enforcement of such private obligations tend to interfere with the exercise by Congress of its constitutional powers." [3] This is a considered conclusion arising out of the facts of the case, where the bonds issued by the railroad called specifically for payment on the due date dollar for dollar in gold of the fineness and weight as at the time when the bond was offered.

On the strict letter of the contract there was no escaping its implications. But Justice Hughes, wily statesman that he is, appreciated the turmoil that would follow from the invalidation of an already accomplished fact. He therefore hid behind the counter proposition that "contracts, however express, cannot fetter the constitutional authority of Congress" to coin money and establish the value thereof. There was another constitutional inhibition against the taking of property without compensation where a dollar containing one hundred cents of gold at the time when the debt was contracted was to be discharged by a dollar containing only fifty-nine cents of gold when the debt was to be met. This the majority was compelled by the exigencies of the time to blandly overlook.

BACK-STAIR METHOD OF GOVERNMENT

If the Supreme Court could bow before the dominant political and economic realities despite their obvious convictions to the contrary, certainly Congress and the President could not be expected to shirk their responsibilities as they conceived them in view of the country's precarious situation. Soon after the N.R.A. was invalidated as a whole, both the President and Congress set to work to discover by devious legal routes the way toward the same goals.

Through piecemeal legislation some of the main purposes of the New Deal came to life in a Social Security law, in the Wagner-Connery Labor Relations Act, and the re-enactment of the chief purposes of the old Agricultural Adjustment Act, where under the guise of soil conservation acreage was to be taken out of production,

[2] America in Midpassage—Beard, p. 258.

[3] The Supreme Court and the National Will—Alfange (1937), p. 199.

and the ratio between the purchasing power of the farmer and that of industry in general was to be re-established as it prevailed during the five-year period of August 1909-July 1914.

One may well ask whether Congress, the President and their advisers did not feel humiliated in resorting to such back-door methods after having been kicked down the front steps. Expediency is at times a harsh taskmaster.

In the Tennessee Valley development it was only the plea that it was necessary to the national defense, and for the improvement of the navigability of the Tennessee River, and to provide against flood control,[4] that that tremendous development for the reclamation of one of the most backward sections of the United States involving parts of seven States, was allowed to get under way.[5] So under the new Soil Conservation and Domestic Allotment Act of 1936 there was the same taking out of acreage from cultivation based on some officially predetermined level, but somewhat less effective than under the original legislation.[6]

GOVERNMENT REFUSES TO SURRENDER BEFORE THE CRISIS

Even before the Supreme Court's negative decision on the A. A. A. it was the determination of the Administration to transform its program from a temporary basis to a long-term basis on some theory of soil conservation. But there is no doubt that the court's decision was a most unwelcome factor making for haste in shifting from a frank price-fixing and crop limitation scheme to one predicated on erosion-control and soil-depletion.

Surpluses were similarly taken in hand by the agencies of government and ingenious schemes were evolved to prevent both domestic and export dumping. The Federal Surplus Commodities Corporation still continued to operate in some forty-one commodities, through whose agency surplus food products were distributed wherever possible among the state relief agencies for their clients. Many charitable institutions similarly received these surplus commodities. The expenditures of this agency during 1939 amounted to nearly sixty-seven million dollars.[7]

Under Federal government stimulus agricultural exports were assisted by a subsidy, sub-marginal lands were taken out of production, and farm families eking out a miserable existence in a hopeless treadmill of poverty were encouraged to leave those wretched farms for re-settling on fertile soil, with advances made for their economic rehabilitation by provision for homes, machinery, livestock and seed on long-term loans at a modest rate.

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[4] America in Midpassage—Beard, p. 237.

[5] United States Since 1865—Hacker and Kendrick, p. 761.

[6] Government and Economic Life—Lyon et al. (1940), Vol. II, pp. 919-20.

[7] Government and Economic Life—Lyon et al., Vol. II, p. 927.

This is the government coddling and the regimentation against which railed the well-fed recipients of government assistance through tariffs, trade concessions, subsidies to their railroads and their banks, and protection for their foreign investments under the old-time dollar diplomacy to the full extent of the national power; even if the marines had to be sent in to collect.

The closest co-operation now obtained between the government and the individual farm proprietors through local, state and federal agencies which aimed to organize them into a nation-wide scheme for democratic and concerted action.[8] Primarily through the efforts of government farm income was raised from the low of $6,000,000,000 in the worst year of the depression to an estimate of $10,150,000,000 for 1940, of which only $800,000,000 were in the form of government payments. Actual farm income for 1939 was $9,769,000,000, which included Federal payments of $807,000,000.[9]

"Our maturing economic system," wrote Secretary of Agriculture Wallace, "has brought with it new demands which cannot be met by the old self-sufficiency and the old individualism. Group interdependence has become the cornerstone of the new economy." [10] The enlightened author of those lines evolved the ever-normal granary which in essence proposes to accumulate the surplus of prosperous yields to make up for the deficiencies of lean years by the intervention of government, thereby stabilizing both the market and the price.

Praiseworthy as this plan was, it can never become the conscious policy of our American society until the economic foundations of the dominant mode of production is one for use instead of profit, until we create goods primarily for their serviceability rather than for the gain to be realized by their exchangeability. Only in that way can we escape the absurd anomaly of highly useful goods being rendered unsalable by their sheer quantity, while people hunger, and go ill-clothed, and are housed in shacks which are an abomination in the eyes of all men from whose hearts has not been eliminated the last vestige of genuine fellow-feeling.

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[8] Ibid., Vol. II, p. 940.

[9] Report of Bureau of Agricultural Economics in New York Times of Aug. 24, 1940.

[10] Report of the Secretary of Agriculture, 1937; quoted by Lyon in Government and Economic Life, Vol. II, p. 943.

ROOSEVELT'S RESOLVE TO MODERNIZE THE JUDICIAL BRANCH

Whatever the private resentment Roosevelt felt over the thwarting of his program by the Supreme Court, few suspected its real depth and intensity until the election of 1936 was out of the way. True, a few days after the decision in 1935 throwing out his entire N. R. A. was announced the President allowed himself sufficient vent to denounce the "horse-and-buggy days" method of constitutional application to twentieth century problems.

Upon the instant, he was beset by every viperous tongue that could command notice in the press as the enemy of our institutions and the arch-betrayer of the Republic. For years they had been compelled to nurture their grievances in silence while the New Deal nurtured the old dealers back to health, and while yet the Chief Executive's hold was firm upon the loyalty of the people. At the forefront among those who denounced the President for blaspheming the Holy of American Holies, was none other than the erratic Senator Borah, a Progressive of parts who consistently gave to the reactionaries the best possible reasons with which to defend their worst causes. The President, however, thought it wise not to press the issue until a more propitious occasion presented itself, particularly with a general election in the offing.

At no time during the 1936 campaign did Roosevelt betray his attitude on the issue of government by the judiciary. After his triumphant re-election in which he carried every electoral vote of the nation except those cast by the States of Maine and Vermont, he felt free to follow his bent. Meanwhile a national conference was called by a number of liberals, principal among whom was Senator Norris, to consider the various proposals for curbing the power of the Supreme Court with a view to agreeing upon a consistent course of action.

As can well be imagined the propositions advanced at that meeting were even more numerous than their proponents. But before this conference could assemble, and conscious, no doubt, of its end which could be nothing more than infinite and futile debate, President Roosevelt took fate into his own hands by sending to Congress his own measure for clearing away the obstacles which faced his program by virtue of the Court's intransigence.

AMAZING PLAN FOR THE COURT'S RE-ORGANIZATION

Those who recall the bombshell-like effect of that message have no doubt that Roosevelt had nursed his resentment close to his own bosom, and that the instrument of his retaliation was unknown even to his closest advisers. Their respective attitudes of amazement, incredulity, chagrin, consternation and horror registered according to their personal reactions, proved conclusively that Roosevelt kept his own counsel on the question, not only because he refused to be diverted from his course, but more so, perhaps, from fear of the divided counsels of his intimates and associates on this matter.

His plan, as far as the Supreme Court was concerned, provided that when a Justice of the Court had reached the age of seventy and one-half years, and did not resign, an additional member would be appointed in the usual manner, provided that no more than six judges could be added to the Court.

Instantly the political forces of reaction were galvanized into action. On this question there was no longer Republican or Democrat. Each opponent of the New Deal spoke the innermost thoughts of his mind so long pent up in soul-consuming hatred of the program and its principal architect.

Here was an issue made after their hearts. The greatest political strategist of his day had made the great blunder they had so long been waiting for. The issue was now one affecting that most idealized of our institutions, the sacredness of the Supreme Court.

No one who cared to think at all upon the real issue involved could mistake that the Supreme Court was deliberately dragged by its erstwhile champions into the muck of the bitterest political struggle of our time, not to defend its privileges and prestige as they pretended, but in order, through the Court as their breast-work, to carry on a fight for the annihilation of the New Deal and all the larger social meanings that it signified for the common man.

Appropriately enough, the forces of reaction pressed to the forefront of their campaign a new-found leader in the shape of that arch-Progressive, Senator Burton K. Wheeler. For months this former idol among the liberals did yeoman service in the camp of his now beloved enemy. Even those who were completely out of sympathy with the trend of the majority opinion of the Court on the New Deal now rose in mighty wrath to protect that majority in the right to their opinions. Such, indeed, was the noble, if insipid attitude of one New England College president.[11] As if the issue at stake involved the question of freedom of opinion!

The real issue was whether a small group of men the furthest removed from popular control, could set themselves up as a permanent, impenetrable barrier to the effectual carrying out of the popular will. It was not a moral question, as some put it, of packing the Court, for the Court was already packed with intellectual fossils whom only the will of God or the processes of nature could remove. And God in His Infinite wisdom overlooked that detail during Roosevelt's Administration. In the first four years of his incumbency the old maxim concerning judges was most applicable: Few die, and none resign. And surely, no one was so ungenerous, not even the bitterest opponent of the Court's consistent solid reactionary majority of one, as to wish God to move His Hand untimely against a single member of the devoted five.

CONSEQUENCES OF ROOSEVELT'S TACTICAL BLUNDER

Even the President's most loyal supporters had an uneasy inner feeling that Roosevelt had committed a grave tactical error in the manner and timing of his Supreme Court re-organization plan. This is not the wisdom of second guessing after the event. History is replete with anecdotes where the astutest leaders of their time made an obvious but nonetheless egregious mistake for which they paid dearly afterwards. A case in point is the cavalier manner in which President Wilson treated the Republican leadership of the Senate in making up the membership of the peace treaty commission which he headed at Versailles.

In the matter of the Court issue, the commonest strategy for the President to have pursued was to prepare the mind of the country by a preliminary barrage against the obstructive tactics of judicial fossils who insisted upon enforcing their own theories of social policy through the guise of judicial interpretation in direct defiance of the legislative prerogative.

This was an understandable issue, and the apparent facts seemed fully to buttress the contention in the minds of the great generality of our citizenship. For the more esoteric, and for the purposes of intellectual embellishment required even for the multitudes who gather to hear those radio fireside chats, effective use could have been made of the close margin of the defeat sustained by many vital legislative acts, while the intellectual level of the consistent minority of Brandeis, Stone and Cardozo was easily the equal, and often the superior, of the best among the majority opinions.

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[11] America in Midpassage—Beard, p. 355.

Had the issue been brought before the country in this reasonable fashion, there is no question that the President would have been spared a good many unnecessary heartaches, and the country, as it subsequently developed, much unnecessary woe; for the consequences of the ensuing debate along the lines established by Roosevelt's legislative proposal were equally disastrous to both the President and the nation.

For the President, it meant a seriously impaired moral leadership of the country which showed itself in the loss of his control over Congress—a control which is the usual concomitant of the Chief Executive's dual role as the head of the nation and the titular leader of his party—while for the people it meant a serious relapse in their economic well-being due to the defeat sustained by vital New Deal measures in the runaway Congress of 1937. These were major elements among the contributing factors to the downswing in economic activity of that year, which carried well on into 1938.[12]

Lest some polemical use be made of this admission of the individual's role in the making of history, as exemplified by Roosevelt's unfortunate handling of the Supreme Court issue in a situation he himself created, let it be reiterated that the Historical Field Theory envisages the role of man in the making of history both in his individual and collective capacity. For man's ideas are in themselves one of the social forces, but by no means the exclusive or dominant force. As regards the economic state of the country during 1937-8, the contributing factors in the decline will be considered more fully further on in this discussion.

THE BOURBONS AMONG THE DEMOCRATIC LEADERSHIP

After protracted hearings before the appropriate Senate committee to which Roosevelt's Court re-organization proposals had been referred, the committee whose membership was overwhelmingly Democratic brought in an adverse report by the slimmest majority. This was only one among the many of the bitter fruits of the President's injudicious move. It must have been clear to him, as it was to every close student of contemporary affairs, that the old Bourbon leadership of the Democratic South was aching for an opportunity to express its resentment against the forward-looking policies which it had been compelled to support in Congress because of its ties to the Democratic chariot. Now was the opportunity for Bourbon revenge, and they were resolved to pursue their advantage to the limit.

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[12] Business Cycles and Forecasting—Bratt, p. 502.

Too much cannot be said in praise of Roosevelt's courage and the loyalty of the Northern industrial sections of his party. Having made his ill-considered move, the President went forward resolutely, giving blow for blow, but unfortunately receiving many more than he could give. The tragedy of the entire situation was that so many of these telling blows were forthcoming because of his poorly chosen position. There is sometimes the hard way, and the practical way of doing things, and Roosevelt's was the unnecessarily hard way.

Nevertheless, the ultimate victory was his, in a way he had not contemplated, but with a bloody head he had not foreseen. Congress defeated his main proposal, and adopted in amended form some routine changes for the expedition of court business in the lower jurisdictions.[13]

But the turmoil of the battle had not been lost to the ears of the august judicial All-Highest. The politic Hughes and the prudent Roberts must have been deeply conscious of the inherent logic in Roosevelt's position on the Court's role as an obstructive mechanism to social progress. During the heat of the legislative battle, and doubtless with a desire to forestall more drastic reforms, the Court upheld the validity of a minimum wage law of the State of Washington by a vote of five to four, where only less than a year ago the same court had invalidated a similar measure enacted by the State of New York also by a five to four vote. This was indeed a startling reversal, with no excuses offered for the fact. In this case, Justice Roberts had seen fit to assert for the judge woman's ancient prerogative of changing one's mind. This kaleidoscopic shifting is sometimes excusable in a woman, but it is ridiculous in a judge.

ROOSEVELT'S PYRRHIC VICTORY

Nothing the Court might have done could have signified a more abject surrender to the assault made upon it by the courageous Chief Executive of the nation. But that was not all. Shortly after this decision, and while the fate of the Court's sturdy reactionary majority was being discussed in every hamlet of the land, this tribunal again reversed its stand of two years previous by upholding the Wagner Labor Relations Act designed to equalize the position of labor in dealing collectively with organized industry. Once more the decision was five to four in support of a Congressional power asserted under the commerce clause which it had specifically denied in the N.R.A. case.

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[13] America in Midpassage—Beard, p. 358.

The old Supreme Court majority did not stop at these moves of self-debasement. In full view of a people already astounded beyond expression by these evidences of defeat and contrition, the Court by the same five to four vote decided in support of the Social Security Act, whose unemployment fund was obtained by the laying of a tax on intrastate producers not for the purpose of revenue, but in order to effectuate some far-reaching program of social insurance. The principle of this tax had been declared unconstitutional when the A.A.A. had been set aside.

No doubt legal word jugglers could argue a distinction between the two cases, but as far as the public was concerned they saw no difference. In that conclusion of common sense, four stalwart Justices of the old majority still concurred in a strongly worded minority opinion. By the same exercise of native common sense, the people concluded that the Supreme Court had hoisted the white flag of surrender, and the generous impulses of the indulgent masses were willing to call the battle quits.

BREAK-UP OF THE REACTIONARY COURT

Subsequent developments proved that the people were right in their judgment of the situation. Shortly after these come-down decisions Justices Van Devanter and Sutherland, two of the most irreconcilables of the old judicial mossbacks, resigned their posts. An equally indulgent Congress had prepared the path for their honorable retirement by providing for life salaries for Justices over seventy who had served on the bench over ten years. The path was now clear for Roosevelt to appoint new judges whose thoughts were in agreement with the tendencies of the time.

There were other vacancies created later by death and resignation. Today the Supreme Court is a thoroughly re-made body, not only in spirit, but in the flesh of its majority membership who owe their appointment to Roosevelt and subsequent ratification by the Senate. Of the President it may well be said that he lost the battle by poor generalship, but history won for him the war.

It is academic now to count the cost and unnecessary sacrifices made by the country during the period when the Chief Executive lost his control over the majority in Congress, while his recovery program was mauled and maimed by the amateurs who practiced upon the body politic during the temporary incapacity of the chief. But that is one of the ironies of history; society moves on to higher levels despite its apparent unending series of defeats and frustrations. One must add that such is the case only when society is in a progressive, not in a stagnant or decaying state.

It is therefore with unrestrained delight that we record the lament of Frank J. Hogan, president of the American Bar Association at its convention during the summer of 1939. Reviewing the sad estate of the All-Highest judicial autocracy before the three thousand lawyers assembled at San Francisco, he warned that hereafter reliance against the exercise of the powers of government in behalf of the people must be placed in the legislative rather than in the judicial branch of the National Government.

What a terrific let-down! The representatives of reaction looking to the popular branch of the government to save it from itself! The audience that heard him applauded Hogan's annual address wherein he paid high tribute to the independence shown by the new dissenting team of McReynolds and Butler. He noted sadly the unkind cut of Justice Frankfurter who proclaimed that the famous dissenting opinions of Holmes, Brandeis, Stone and Cardozo had now become the prevailing opinions, and added: "Recognizing that many of the historical dissents of Holmes and Brandeis have now been transferred from the minority to the majority side of the court, the day must come when future chronicles of our judicial history, in according unstinted praise to the rugged sturdiness McReynolds and Butler showed in their courageous efforts to preserve landmarks of the law, will likewise record that their ringing dissents in this day became rules of decision in a later generation." [14]

This prophecy will prove to be as false as is the analogy. Those great jurists whose memory present and future generations will cherish spoke with the vision of those who are the harbingers of a new day, while McReynolds and Butler spoke with the nostalgic yearning after a day that will never more return, even if reaction will set in. For that reaction will take the shape of a totalitarian state and not of the laissez-faire system for which those juridical fossils stood. The miracle for which Hogan looks will never come to pass, if only because the Second Law of Thermodynamics applied to history is against him.

Speaking of miracles, Washington Irving tells us of some other miracles achieved by Mohammed that are child's play compared to those the new doughty Supreme Court minority is called upon to conjure up. It seems that early in his career the Great Prophet

[14] New York Times, July 11, 1939.

encountered many disbelievers who quite naturally asked him to prove his powers in the classic manner of Noah and his rainbow, Solomon and his ring, Abraham and his fire, and Jesus who brought the dead to life and appeased tempests with a word.

"If, then, thou art really a prophet, give us a miracle in proof," was their reasonable request. Mohammed proved to be as good as his word. He restored speech, sight and beauty to a bereft maiden, which certainly was within the scope of his magic over women. He caused the moon to descend and rest upon the top of the Caaba, a stone which is now justly venerated by all good Mohammedans. But no real conjurer would halt there. The moon performed seven circuits about the Caaba, then stopped and made a profound reverence before the Prophet. That did not satisfy Mohammed. He compelled the obedient luminary to enter by the right sleeve of his mantle, and go out by the left; to divide into two parts, and after going in opposite directions, to meet in the center of the firmament and reunite themselves into the glorious orb. After all these wonders only four hundred and seventy Mecca-ites were converted.[15]

Truly Mohammed's task was less difficult than that faced by Hogan and his three thousand legal luminaries who applauded the day when their god once more will be seated on his throne, and the voice of the reactionary righteous shall resound throughout the land through the medium of the dissenting opinions of McReynolds and Butler of whom few people have heard, and understanding, will care even less. Nevertheless the effects of the Supreme Court battle were to be felt indirectly in millions of American homes, as we shall presently observe.

[15] Life of Mahomet—Irving, pp. 91-5.

CHAPTER XXV

Continuing Social and Economic Stagnation

THE CRY OF BALANCING THE BUDGET

FROM mid-year 1937 to June 1938 a decided recession was experienced in business. Taking those two years as a whole, the data collected by Spurgeon Bell indicate that the number of man-hours of employment declined from 86.6 to 65.5, with 1923-5 as 100. The operating earnings of capital in 1938 were cut in half from the 1937 level.[1] The national income after experiencing a continuous, decisive advance from the low levels of 1932-3, had fallen back to $61,730,000,000 in 1938 or over 14 percent.[2] Wages declined 10 percent on a per hour basis.[3] All this was reflected in a precipitous decline in stock market prices where the spectacular ruin of a comparatively small number brought attention to the deepening plight of the many.

The knights of the elusive pen who write those high-pressure editorials for business magazines kept harping away upon one theme—the mounting government debt and the need for balancing the budget. Since the average mind, including that of our high-placed legislators, are most at home when thinking in monosyllables, with no more complications than are presented by two factors not beyond the third move, a terrific hue and cry now resounded through the land. The nation was pictured as heading straight for disaster under the New Deal economic program combined with its destructive social philosophy.

Typical of this type of writing which passed for the purest crystal of thought was that of Henry H. Heimann, executive manager of the National Association of Credit Men. "The Federal budget must not only be balanced," he wrote in 1937, "but a surplus of no less than a billion dollars annually for debt retirement is needed if we are to operate on a sound fiscal policy. Unless our debt is amortized, when the next storm comes along we will find the shelter of a surplus and sound credit lost to us because of our present orgy." [4]

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[1] Productivity, Wages and National Income—Bell (1940), pp. 269-70.

[2] Ibid., p. 231.

[3] Ibid., p. 230.

This was the kind of stuff that went over big before the one hundred odd business, credit, banking and civic groups whom this profound thinker addressed in terms that did not transcend their comprehension. One should remark the note of confidence in his expectation that other crises were bound to come with the same certainty as the storms over the oceans, and no doubt from the same natural causes. Heimann and his ilk no longer speak of permanent prosperity in a stabilized economy created by the geniuses in whom destiny has entrusted the control of our national resources.

Since crises are here to stay, we must prepare for them. How? By balancing the budget. The hitch, however, comes in determining how that desirable goal is to be achieved. Taxing those who have the income? Mercy, no! Would you soak the rich just because they are rich, that high-powered writer asks in his most pleading tones. For then how could they help the rest by building factories and such things? Jim's wife, Mary, to whom this so subtle plea is addressed is readily convinced by the Heimannian logic [5] as are the Credit Men who ordered those gems published for the immortal record.[6]

Congress and the other powers that be in 1937 knew what was intended by all that propaganda, and proceeded to take it out of the hide of those who would not be heard to complain until hunger and want would again drive them to desperation. The first element out of which economies could be effected were the sums spent for work relief through W.P.A., the Works Project Administration, and for the advancement of the larger capital goods industries through the methods of P. W. A., the Public Works Administration.

GOVERNMENT AND BUSINESS BEWILDERED BY THE UNEMPLOYMENT PROBLEM

When Roosevelt was sworn in for his first term the country had reached the lowest depths of the depression that had gripped the country economically and psychologically since the crisis of October 1929, and had continued its progressive paralyzing effect until in March 1933 all the banks were closed and the number of unemployed temporarily reached the staggering total of eighteen million. It was conceded by the most conservative estimators that thirteen million had been out of work for some time before that final collapse. With a courage that fully typified the new determination of the American people to retrieve the disaster to its social structure, Roosevelt urged upon, and Congress accepted without cavil the policy of government relief on a national scale which previously had been shunted aside under the Hoover regime with the opprobrious appellation of "the dole."

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[4] America's Balance Sheet—Heimann (1939), p. 326.

[5] Ibid., p. 23.

[6] America's Balance Sheet—Heimann, p. 10.

Whatever the deeper causes of this national calamity, self-respecting American citizens who clamored for the right to work could not be left to starve; while their self-respect demanded that some sort of work be done in return for the funds provided. This led Congress to create by various steps through the years the program which is now associated with W.P.A. and P.W.A. In work relief the principal objective at first was to give the recipient of public funds something to do, no matter what. This gave rise to what was dubbed leaf-raking and boon-doggling, a nondescript type of work of little if any social importance.

EVOLUTION OF THE W.P.A.

In course of the years, as the existence of a large permanent army of unemployed became part of the American scene, the character of W.P.A. activities assumed a definite form, and attained both a high measure of social usefulness and standards of efficiency which compared favorably with that of private employment.

The official W.P.A. report at the end of 1939 showed that out of 2,000,000 persons engaged in such work, 900,000 were employed in the repair or construction of highways, roads and streets, 165,000 in the rehabilitation of unkempt public buildings, 209,000 in the extension and upkeep of publicly owned or operated facilities, while over 110,000 were occupied in highly important airways, conservation and sanitation projects.

These activities were designed chiefly for unskilled workers; that is, for persons engaged in work outside of their normal occupations, but where a fair degree of efficiency could be readily acquired while on the job. The W.P.A. director of the New York City area estimated that the relief workers on the important LaGuardia Field project could hold their own in comparison with the application required of labor by private contractors.

White-collar workers numbering 185,000 were engaged in various education, recreation, art and other programs, while 170,000 were employed in sewing activities where material was worked up into useful things for the inmates of various public and private institutions. Miscellaneous projects accounted for an additional 190,000 workers of the total on the W.P.A. roster.[7]

W.P.A. work has long since evolved out of the stage where it was the butt of cheap ridicule. There is scarcely a community in the nation that has not benefited from its constructive activities. Starting out with no definite program in a field new to the government and the nation, there had developed a degree of co-operation between the localities and the national government that has tended to unify the segments without sacrifice of local autonomy.

While the Federal government had authority to originate projects and carry them out independently, in practice local and state agencies developed a method of operation beneficial to each without sacrifice of traditional privileges or impairment of sovereignty. The cry of regimentation and federal dictatorship was sometimes raised but for patently political purposes.

FAILURE OF PUMP-PRIMING TO EFFECT RECOVERY

At the same time that the work relief program was launched, Congress set on foot a vast program for public works designed to stimulate capital goods production by the letting of contracts to private industry for their construction. The enormous sum of $3,300,000,000 was initially appropriated for that purpose while work relief was voted only $500,000,000. The reasoning of Congress was plain: Once orders are received for structural steel, concrete and building materials of various kinds, workers will be recalled to private employment, factory wheels will begin to hum, wages will be paid, dividends will be distributed, retailers will feel the benefit of increased purchasing power, who in turn will send out orders to replenish their shelves, and thus set an endless chain in motion. This is the pump-priming theory that so enamored the leaders of thought, at least the Roosevelt Administration circles during the early years. Not a few industrial leaders advanced the same theory, particularly those who benefited by the vast public expenditures.

Somehow pump-priming failed in its primary object of generating a self-propelled prosperity once the circulation got going. Bauer points to the fact that when the priming was slowed down in 1937 a recession ensued, but is unable to tell why it had to be so.[8]

[7] Statistical Bulletin, W. P. A., January 1940, quoted in Government and Economic Life—Lyon, p. 1177.

[8] National Welfare and Business Stability—Bauer (1940), p. 63.

The basis of the dominant capitalist economy is the production of greater exchange values at the end of the cycle. The laws of its internal motion require that while capitalism is in a progressive state, a large portion of the newly created values are accumulated for reproduction on an enlarged scale. Whether or not this is the direct purpose of the capitalist class does not affect the result. The technological requirements of production under the laws of competition, together with the tendency toward a falling rate of profit, and the ever-present necessity to invest current funds in some income-producing enterprise all operate toward widening the horizon of capitalist economy during its progressive state.

Public works on the basis of an underlying capitalist mode of production cannot by its very nature result in the production of goods or services for sale. The government cannot enter as a producer of final goods on an extended scale without competing with private enterprise. That is why up to the present time such creative effort on the part of the government has had but slight development in the United States.[9]

It can be assumed therefore that the entire public works scheme was predicated in the main upon the creation of public services with no direct economic return in the capitalist meaning of the term, despite their great social usefulness. Wherever such returns were contemplated, as in the Tennessee Valley program, it met with the severest opposition on the part of the private interests which would feel the brunt of government competition.

It is useless to argue with the epigoni who know little of economics that a public building, a bridge and stream-lined speedways are very useful things; that they contribute directly to the aesthetic pleasures and indirectly to the facilitation of private business. No one questions the usefulness of a public park, or a beautiful new high school, but on the basis of capitalist economy, such utilities are a sheer waste if they do not bring in four or five percent annually over and above interest, amortization of structure of limited life, costs of maintenance and operation.

Since the over-whelming mass of P.W.A. projects were not functioning in that capacity, despite the numerous toll roads and bridges, the capital expended in their creation was a dead expense to society, even if they did constitute a sound public investment in the intangibles of existence. But capitalism cannot sustain itself very long on intangibles.

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[9] Government and Economic Life—Lyon et al., Vol. II, pp. 1129-33.

THE EVOLUTION OF THE P.W.A.

Since in the scheme of things public works on the whole could not be self-liquidating, they were in the nature of a public expense that had to be met out of the public revenues. It was one of the mordant ironies of the great Engineer who preceded Roosevelt in the Presidency to advocate the construction of public projects to relieve unemployment, but to attach the proviso that they must be self-liquidating, while limiting very strictly the character of such enterprises to those which did not even remotely compete with private capital. Outside of an occasional toll bridge Hoover's entire program was stymied at its inception.

When capital was very, very sick as it was in 1933, it was easy to put through an impressive public works program. Where was the money to come from? Obviously, by borrowing. Once the pump begins to draw water, all would be well. Initially it was hard to get such an extensive program going. People who complained loudest about red tape would have been among the first to point to waste and corruption unless controls were devised for the adequate supervision of such enormous expenditures.

Plans for works of any kind require time for the engineering staff to prepare, while care had to be taken that they were well-conceived and of reasonable timeliness. On top of all this, an organization had to be created for the carrying out of this vast program. Nevertheless within a year of its organization P.W.A. had alloted its entire $3,300,000,000 to 13,266 federal projects and 2,407 non-federal projects. However, not more than $1,200,000,000 was actually disbursed during the first year of its existence.[10]

This was in itself an achievement of no mean degree, yet the effects of this outpouring of public funds was scarcely felt in the enervated veins of private industry that was accustomed to an annual capital accumulation expenditure of over ten billion dollars in normal times, besides the ordinary replacements of depreciated and worn-out capital plants. Despite the growing efficiency of the P.W.A. and the undoubted honesty of its administration coupled with a liberal loan policy of the R.F.C. the Treasury records showed that at the end of the 1933-4 fiscal year that instead of $7,500,000,000 having been expended for extraordinary purposes to speed recovery as provided, only $4,000,000,000 had been paid out on contracts and loans.[11]

Another factor which militated against the success of pump-priming was the source of its revenue. A nation no more than an individual can lift itself up by the bootstraps. The government was precluded from engaging in income-producing enterprises. To finance this program recourse had to be had to the public funds. Government itself derives its revenue from two main sources—taxation and borrowing. Since the budget by common consent had to be out of balance at first, recourse was had to borrowing. But, unfortunately, recovery was not to be won by short wooing, and the succeeding years proved that W.P.A. and P.W.A. called forth many more billions of dollars.

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[10] United States Since 1865—Hacker and Kendrick, p. 751.

[11] United States Since 1865—Hacker and Kendrick, p. 769.

Congress, reacting to the wishes of business while providing for the needs of humanity, would not listen to any policy of increased taxation upon those in the higher income brackets, or upon corporation profits. Consequently there was more borrowing and a piling up of the already mountainous public debt.

Still this program of liberal government spending was not without effect. In co-operation with other factors the aggregate output for manufacturing, with the 1923-25 average as 100, had risen from the low point of 55 in 1932 to 101 in 1935, 119 in 1936, and 124 in 1937. The last figure includes the recession for the second half of that year, indicating a much higher ratio for January to July of 1937.[12]

CONSEQUENCES OF ROOSEVELT'S CONGRESSIONAL DEFEATS

It was during this period that Roosevelt started his memorable campaign for the re-organization of the Supreme Court. Big business was beginning to resume its cockiness. They were tiring of government interference with and regulation of their ancient prerogatives of doing as they pleased, and when it pleased them. Seizing upon the favorable opportunity presented by the President's imbroglio with the combined reactionary forces within the Republican and Democratic parties, a determined offensive against the New Deal was begun all along the line on the industrial front.

Under the slogan of balancing the budget, appropriations for W.P.A. and P.W.A. were deeply cut, with the object of tapering them off to the vanishing point within two or three years. Back to normalcy was the cry, with appropriations based on the normal requirements of government, where two dollars out of every three were spent in preparations for future wars and payment of those past, and the other dollar of the three was all that was required for what they were pleased to term the normal functions of government.

During the heyday of the New Deal these proportions were actually reversed, not by cutting down the respective expenditures, but by increasing to an enormous extent the spending for relief and public works. Both must go was the demand of reactionaries. The economy was well on the road to recovery. In fact, that had already been achieved. If eight or ten million were still out of work,[13] that was due to the profligacy and incapacity of government. Turn business back to business men.

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[12] Productivity, Wages and National Income—Bell, pp. 268-72.

Marriner S. Eccles, chairman of the Board of Governors of the Federal Reserve System before a Senate Committee about two years after the launching of this formidable campaign referred with some bitterness to the school of thought that believed recovery could not be fully achieved until a balanced budget was assured through reduction of government expenditure and the rapid amortization of the public debt. "Senator Byrd," he said, "has stated that he believes that for every dollar the government borrows and spends private industry is deterred from spending two. A similar viewpoint has been expressed by the United States Chamber of Commerce, by stockholders replying to a questionnaire sent out by the National Association of Manufacturers, by the New York State Bankers Association and by the American Institute of Steel Construction, representing an important element in heavy industry." [14] Eccles expressed himself that such a policy of retrenchment under present conditions would have disastrous consequences, yet he was willing to agree to their program on the plea that the majority of the people appeared to favor it, and in a democracy the majority ought to have their way.

It was pure assumption on his side that the type of people he mentioned, including Congress, represented the wishes of the majority of the people. Nor did the ranking financial officer of the richest country in the world undertake to challenge the unsupported dogma to which the junior Senator from Virginia gave utterance relative to the disastrous economic consequences of government spending under the specific conditions then prevailing.

Had Eccles desired it, he could have pointed to the consequences of a similar policy of retrenchment begun in the first half of 1937. He could have shown that whereas during the July-December half of 1936 four million persons were on work relief, the number had dropped to two and a half million persons during July-December of 1937 [15] due to a cut in appropriations. By work relief is meant not only work of a relief character, strictly speaking, but all work paid out of public funds whether on Civil Work Administration, Works

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[13] Business Cycles and Forecasting—Bratt (1940), p. 491.

[14] New York Times, Mar. 24, 1939.

[15] Government and Economic Life—Lyon et al., Vol. II, p. 1195.

Progress Administration, Civilian Conservation Corps, or Public Works Administration.

BIG BUSINESS TACTICS LEAD TO RECESSION OF 1937-8

What was the consequence of this master stroke of reactionary statesmanship? It must be added that this cut was made in the face of Roosevelt's earnest opposition, but whose consummation he was powerless to prevent. A veto would have disorganized the entire program, since the supply bill of which it was a part must be voted annually. But in truth that was only the pretext for Roosevelt's withdrawing from the battle. In 1938 the accumulation of political blunders had weakened him in the eyes of the people, and there was no question that had that been a Presidential election year, Roosevelt would not have dared to run for a third term on any pretext. In fact that argument would have been used for making a graceful exit from the White House.

How short is the memory of the leaders and the led! Bratt who is a clever Wall Street theoretician is definite in ascribing the major cause of the downward turn in 1937 to the elimination of government spending because sellers of commodities felt the lack of that purchasing power. It is to the standing disgrace of an economic order that it must rely upon the deficit spending of a government, in order to avoid complete collapse. Yet such was the actual case so recently as 1937-38.

It was the relief workers, including those paid out of solid public works projects, which supplied that extra ten percent of purchasing power that stands between economic well-being and prostration. Heimann looks for that extra ten percent by drumming up foreign trade,[16] but he overlooks that once a certain proportion of our national production is attuned to an export outlet, any shutting off of that market is bound to have disastrous repercussions.

Yes, even the soldier bonus, Bratt sadly admits, supplied a consumer outlet during 1936 that was found painfully missing in 1937. Automobile sales fell down, as well as that of other durable and less durable goods. Inventories piled up.[17] The boom market in securities came to a halt, followed by a precipitous decline. Excess reserves bedevilled the commercial banks because no profitable outlet could be found for their private employment.

All the standard symptoms of an old-fashioned, first-class crisis were in evidence. The output of manufactures dropped from 124 in

[16] America's Balance Sheet—Heimann (1939), p. 136.

[17] Business Cycles and Forecasting—Bratt (1940), p. 497.

1937 to 94 in 1938. By this time government again stepped in. A chastened Congress listened to the request of the Administration for increased appropriations for relief work. The result was that by July-December 1938 the number of persons so engaged increased by one million seven hundred thousand over the similar period of the previous year. From 2,577,000 there were now, 4,256,000 working at one job or another for the account of Uncle Sam.[18]

The font of Wall Street wisdom rises to the apogee of its intellectual level when Bratt seriously asks: "The crucial question is whether or not satisfactory reasons for the 1937 downturn can be found without appealing to solar activity."[19] His common sense rebels against the Garcia-Mata and Shaffner theories, yet in his perplexity he was willing to turn even to that. When Wall Street was sick it has been known to do worse than resorting to the ministration of quacks and the incantations of soothsayers in its frantic search for a cure.

DISASTROUS FAILURE AND RETREAT OF BIG BUSINESS

However lacking they may be in the knowledge of the inner mechanism of the economic system of which they are the principal spokesmen, the members of the National Association of Manufacturers had learned a thing or two by the time their annual convention was under way in 1938. In as complete a reversal of their stand of the previous year as the most ardent supporter of the New Deal could have hoped for, they admitted the benefits of government spending to bolster up the social system, and even recognized the right of workers to bargain collectively through representatives of their own choosing, without restraint or interference by their employers.[20] No surrender could have been more complete, nor more abject, in view of their fire-and-sword intransigence during the previous year. However, as events demonstrated, this was not a conversion on principle, but a yielding to the stubborn facts of the moment.

No sooner did business pick up again and the red ink disappear from their ledgers than their former cocky assuredness returned. Once again they essayed the role as the pillars of society without whose genius, self-sacrifice and devotion to the highest ideals of rugged individualism, the entire super-structure of society would collapse and its now solid foundations crumble into dust.

By 1939 their arrogance was sufficiently impressive upon Eccles as to suggest from him the offer of a reversal as complete on the government's side, as only a year ago it had been of the official position taken by these industrial potentates. Here was clearly exposed the abounding ignorance of the laws of capitalist economy by these very champions of the prevailing system. Possessing no scientific knowledge of their own economic order, they resort to the intellectual subterfuges of the medieval charlatans who are the servants of the forces they would pretend to invoke at will.

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[18] Government and Economic Life—Lyon et al., Vol. II, p. 1195.

[19] Business Cycles and Forecasting—Bratt, p. 325.

[20] America in Midpassage—Beard, pp. 564-5.

Thus when a measure of prosperity had been vouchsafed to this country during 1939-40 due principally to the miseries which then engulfed half the world, and so soon to involve the other half, the strutting puppets at the last annual convention of the United States Chamber of Commerce again assumed the arrogant posture of being the masters rather than the creatures of the social system which brought them forth. Their program was couched in the language of eternal principles, while no one knows better than the historian that these "principles" are as shifting as the clouds, and as unsubstantial.

Lest any mistake their true motives the United States Chamber of Commerce proclaims that its policies "are humanitarian and liberal in the true sense of the word." [21] They therefore resume the treadmill by denouncing the rising public debt and demand policies tending toward a balanced budget, but without additional taxation; in fact, taxes should be reduced to allow for that unprecedented prosperity which follows from the mass of capital accumulated in private hands thirsting for productive employment. Relief activities should be taken out of Federal control and put back where they belong, among the localities of the respective States.

With these weasel words they attempt to disguise their true intent, which was to bring back relief of the unemployed to the Hoover apple-selling days, for none knew, or should know, better than these geniuses of our economic order, that the States and localities cannot carry that burden without Federal aid. So should the housing and health programs go back to the localities, in their judgment, which means the continuation of the unspeakable slums in which these self-proclaimed humanitarians and liberals would not house their dogs.

As to agriculture, they stood resolutely for the freedom of action of producers, processors and distributors against the unwarranted interference by the government with the natural operation of economic laws that had reduced our immense agricultural population to penury. It is fruitless to go further into this sickening exhibition of ignorance, callousness and adroit special pleading while invoking the name of religion, morality and patriotism.

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[21] Digest of Chamber Resolutions in New York Times, May 3, 1940.

CHAPTER XXVI

American Society During 1931-1940

A. SOCIAL SECURITY FOR LABOR

DISTORTIONS OF THE STATISTICAL APPROACH TO HISTORY

AT THE turn of the fourth decade of the twentieth century, let us review the economic and social status of our people during 1931-40 considering in the following order the general status of the workers and the farmers, while the particular problems of the South will be dealt with separately.

One of the commonest subterfuges employed by apologists for the status quo is to regale us with the impressive statistics of America's wealth. Who has not had dinned into his ears and dazzled before his eyes the figures that while the United States consists only of six percent of the world's land area and contains but seven percent of the world's population, its people possess an overwhelming proportion of the world's goods? And then follows the impressive statistics on our relative proportion of automobiles, radios, telephones, washing machines, electric irons, vacuum cleaners, electric refrigerators and annual toilet tissue consumed. As Herbert Agar put it, the statistics are doubtless correct, but the conclusions are an insult to the mind. He neglected to add that few minds are conscious of the insult.

The Reverends Ligutti and Rawe in a recent book which does honor both to their religious order and to themselves put the issue in its proper light. "Statistics relative to consumable goods," they write, "prove nothing. The statistics that we must study to determine the extent of property ownership are the statistics relative to productive property. What is the distribution of ownership in land, in buildings and equipment, in farms, factories, mines, in commercial enterprises, in machinery and appliances? Do those who always dwell on consumable goods want to forward the impression that the distribution of productive property is 'reasonably equitable' too? Or are they obviously trying to evade this all-important point; namely, the facts about the distribution of land and homes, business and commercial enterprises, machinery and appliances in production? Or do they want us to conclude that these things are reasonably distributed too?" [1]

The correct problem is posited here with extraordinary clarity. Mere ownership of service goods means little except when one must have recourse to the pawn-broker or the second-hand dealer if their up-keep becomes a major headache or food is required to alleviate that gnawing sensation. The relations of production determine the distribution of revenue, and this distribution is determined by the respective titles to ownership of capital, and the wage rates.

THE RELATIONS OF PRODUCTION IN MODERN ECONOMY

As far as industry was concerned, the decade 1931-40 showed in its results the consequences of an economic process that began two centuries ago with the displacement of the tool of the handicraftsman by the machine, and of human energy as the prime motive power by steam. As the industrial revolution developed in the United States this division in the relations of production became most marked. On the one hand were the holders of title to the means of production; on the other, of men and women whose principal source of income—for most their only source—was the sale of their power to labor by brawn and brain. We have established by incontrovertible evidence the fact of the vast aggregation and concentration of capital due to the requirements of technology in a competitive system.

Again the dealers in weasel words harp upon the large number of small producers and the great American middle class. We have shown that the small producer in modern industry does not exist as an appreciable factor, and that he is confined principally to the service occupations or as an accessory producer for big business. As for the middle class the position of that class, or any other class is not determined by the size of their income, but by its source. The engineer of many a Class II railroad earns more than his company without transposing their position of employer and employed. If the worker loses his job, his chief, and for the most of them, his sole substantial source of income is cut off.

In modern industry, the kind of production that determines the economic fate of the country, the middle class is a rapidly vanishing factor in production. But this entire question of the middle class is beside the main issue, and is thrust forward by the apologists only for the purpose of befuddling the mind, and to prevent the clarification of the problem. The gravamen of the question before society is that the vast masses of workers in industry are no longer confronted with the choice of working for others, or exercising a little private initiative and rugged individualism and branching out for themselves in a manufacturing enterprise of their own.

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[1] Rural Roads to Security—Ligutti and Rawe (1940), p. 31.

PROBLEM OF AMERICA'S "MATURE ECONOMY"

Before this decade our ideologies were constructed upon the comforting proposition that the country was young and big, with plenty of opportunity for all who possessed the ability and would only bestir themselves. The depression during the Terrible Thirties had knocked the bottom out of that notion.

By common consent, at no time during this ten year period did involuntary unemployment affect less than eight million persons, while in 1933 this number reached the terrific total of seventeen or eighteen million, not counting those on part time. It is not a question whether or not the United States is a finished country, as the editor of the New York Times belligerently put it.[2]

The facts were incontrovertible, even to that editor, that the country had stopped its headlong march forward. It accused the Roosevelt administration of "basic lack of understanding of economic principles of the industrial process," [3] though its criticism does not disclose the competency of the writer to improve upon the first or cast additional light upon the other. With utter lack of scientific discrimination as to distinctions in historical forms, the writer fell back upon the statistical chart of industrial growth from 1899 to 1937, disregarding the fact that he was computing in the same column the production results of two separate periods of our history.

That is why he puzzled over the fact that the rate of annual production increase fell consistently in each decade from 1899 to 1919, rose somewhat to 1929, and fell calamitously from 1929 to 1937; from 4.7 percent, to 5.1 percent, and then down to 0.4 percent.

Fabricant and Wollman may search the mysterious recesses of their statistics with the same intentness that the Roman priests performed their haruspices in the entrails of the sacrificial lamb without being much the wiser concerning the inner mechanism of the processes of modern economy, a process which statistics merely describe, but does not create. It is the acme of arrogance for the Times to ascribe ignorance to its opponents because it itself is unable to improve upon the contributions of others. The economy is "mature" not because it ceases to grow, but because the limitations imposed by the laws of capitalist economy prevent further growth on that basis. All it can do is to propose turning back the economic apparatus untrammelled to its former operators. They got their chance once more in 1937-38, but were compelled by the rapidly developing chaos to return it again to the Roosevelt administration. Society is finding this game of shuttlecock and battledore too expensive, and too dangerous.

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[2] New York Times, May 31, 1940.

[3] New York Times editorial, Oct. 28, 1940.

Professor Sumner H. Slichter who also posits the mature economy question in the New York Sun proved that beyond a doubt there existed a possible annual private market for twelve billion dollars more of savings a year to provide new funds and working capital, to expand existing plants and to create additional housing for the minimum requirements of civilized living. He saw only one little fly in the ointment, the lack of a profitable outlet for those commodities produced by private capital. We are not now concerned with the causes, but with the fact that capitalist economy as now organized had no outlet for its superabundant capital resources. Banks complained of their sharply rising deposits and the inability to find profitable investments for their excess funds.[4]

To point out that on the basis of the existing social organization the United States is a "finished" country is neither unpatriotic nor defeatist. On the contrary, the highest interests of the nation can best be served by establishing why it is that millions of unemployed workers tramped the streets while billions of capital lay fallow in industry and in the banks.

The most sardonic proof of this historic fact was the evidence of some of these millions of unemployed—the Twentieth Century Funds estimates the number as six million (New York Times Dec. 15, 1940)—were being recalled to the production of the implements of war. No rational person could interpose an objection in view of the international stringency which made preparedness essential for our continuance as a free democratic nation. But war itself is the necessary outcome on the international field of the limitations inherent in the capitalist mode of production within the national sphere.

Evidence of these limitations were presented by unimpeachable sources in the due course of business. Private capital simply did not possess the opportunity for creative employment on the basis of existing social relations. To what extent this creeping paralysis had effected its vigor capitalism itself gave evidence in the required reports to the official organs of government.

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[4] New York Sun, Jan. 6, 1940.

Thus the banks and trust companies in the State of New York reported as of October 2, 1940 that their total resources were over $12,000,000,000, of which 40% were cash assets. Whereas in 1929 57% of their total resources were employed in the form of loans to private enterprise, in 1940 only 18% were thus employed. (New York Times Jan. 9, 1941.) To the student, this figure told a story of impressive decline in the tempo of business activity.

Were it not for the growing Federal debt, the banking system would have had little opportunity for investing their funds. More than half of their resources were tied up in various government securities despite all their railing against government interference with business. The government had now become its best and most reliable customer. And here is the evidence to support the assertion. The President of the Central Hanover Bank in New York, one of the giants in the field, stated quite frankly that the average return on commercial loans was 2.08 percent (New York Times Jan. 10, 1941), while the Secretary of the Treasury of the United States reports that the annual interest rate on the Federal debt in 1940 was 2.58 percent. The bankers knew where their bread was buttered more thickly.

Actually one of the most revolutionary developments of modern times passed unnoticed before the contemporary eyes who viewed it, if they comprehended at all, with the same equanimity as does a savage in the face of some impressive process of nature. Secretary of the Treasury Morgenthau proudly announced the fact that the government interest rate had decreased from 3.5 percent in 1932. No doubt he looked around triumphantly expecting applause for this result of his financial wizardry.

In reality he had as much to do with it as the savage medicine man does about a total eclipse. For coupled with this complacent bleating was the ominous fact that New York City's savings banks had been compelled to reduce their interest payments to 1.5 percent because of the narrowing field for profitable investments (New York Times Jan. 9, 1941). Here indeed was evidence of a mature economy with a vengeance on the basis of the established social relations of production.

The Federal Reserve Board Bulletin for July 1940 felt called upon to make answer to the money doctors who asked why if at the end of June 1940 the gold reserve amounted to $17,653,000,000 only $5,145,000,000 notes were actually in circulation?[5] The Reserve Banks, it declared, have no way of keeping in circulation a larger quantity of valid notes than the circulation will absorb. Over seventy years ago Marx analyzed with scientific exactness the laws which governed the quantity of prime money required for the circulation, and those laws are just as valid today as when they were enunciated[6] by the thinker whose works are taboo in every fatly endowed institution of learning.

During the ten years of the past decade the learned men of literature might indulge their bent as to whether or not ours was a "finished" country, but all were compelled to admit that as far as an average of ten million men and women who were searching vainly for work were concerned, their chances of landing that elusive job was about finished. Upon the basis of the laws dominating the existing mode of production there was no room for them in private employment. Other nations with the same economy were confronted with the same problem. England chose the dole for its unemployed; the United States, more generous, chose relief work upon a subsistence wage. Germany, more vengeful for her real and fancied wrongs, finally put them to work producing the instruments for the Blitzkrieg. But to all of them the problem of unemployment first presented itself under similar aspects; namely, the inability of private enterprise to absorb the labor power capitalist society had for its disposal.

Slichter re-echoes the cant of the rugged individualists who speak in generalities about wiser selection of public policies to make it easy for industry to absorb the savings of the community, but they are strangely silent as to what those policies should be, while they discreetly refuse to name the industries just crying for that extra capital which the private banking system at the same time seeks so earnestly to supply from their excess reserves. The excess reserves of the banking system on June, 1940 reached the enormous sum of $6,800,000,000, which theoretically could be expanded to make provision for commercial credit to ten times that amount.

There is, of course, a necessary limitation. Those credits must arise legitimately in due course of business, and neither Slichter nor those for whom he speaks can name a single legitimate, profitable enterprise that has suffered from want of capital. They speak of inhibiting government policies, while they really mean the return to the old laissez-faire days of soup kitchens, bread lines, apple-selling, handouts and general misery. Those days are gone, never to return if only due to the awakened determination of the American people.

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[5] New York Times, July 29, 1940.

[6] Capital—Marx, Vol. I, pp. 135-7, 157-8.

As for government interference with private enterprise, it can be stated with absolute assurance that as long as all taxes combined do not take away 100% of the earned profit—and all present government taxes, Federal, State and local, direct and indirect do not amount to more than 25% of the net annual national income—capital still has incentive for its employment. It can be shown that capital will struggle for business even on a consistent three percent profit over and above all the costs of operation, while many will continue for years content with meeting only all the bare costs, which include interest and amortization, and exclude the profit of enterprise.

FALLOW CAPITAL AND IDLE LABOR

However contradictory the theories may be concerning the causes of unemployment, its effects were omnipresent and the ostrich-like attitude of the Hoover regime had borne the harvest of rugged individualism in the debacle of 1933. Pump-priming by government expenditures was resorted to by the Roosevelt Administration in the mistaken belief that recovery could be achieved by starting the flow of a self-continuing process. This proved to be fallacious, or at any rate fell short of its objectives, for the reason that artificial respiration now became the normal requirement of the debilitated economic system.

To what extent this was the case was observed when government was compelled by a change of policy on the part of Congress to cut down radically such expenditures. Long after that mistake was rectified when its evil consequences were apparent to all, the editor of the New York Times plucked up enough courage to write a long leading editorial upon Pump-Priming vs. Recovery.[7] It is an adroit mis-statement of the issue. The correct title should have been Pump-Priming or Collapse. No one today seriously contends that unproductive government expenditures of wealth already in existence is the road to increased wealth. A nation does not get rich by consistently adding to its outstanding debt. But that is a far cry to the other point raised that such expenditures are either wasteful or harmful. The enormous re-armament program then under way was another form of pump-priming, and just as currently necessary as the funds which sustained so long the programs for W.P.A., P.W.A. and the rest of relief work expenditures.

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[7] New York Times, Jan. 22, 1940.

The Times is content to rest its case upon the calculation of Dr. Roos that there is an inverse correlation between Federal deficits and business activity, as indicated by most of the data from 1919 to date. It is the sheerest case of confounding the effect with the cause. The trouble with Dr. Roos and all those tabular calculators is that statistics in themselves often present a most distorted picture of the realities. How can he, or any other investigator, apply the factors which existed in 1919 to those of 1929 or 1939 without subtracting, minimizing or leaving out altogether the changed historical conditions which render such comparison totally inapplicable?

For example, the Times quotes with fearful respect the contention of Dr. Roos that only a 2 percent decrease in turn-over due to loss of confidence or fear of later increases in taxes would offset a Federal deficit expenditure of over five billion dollars. What the learned Doctor states, but does not prove, and cannot prove—while the Times does not take the trouble to ask for proof that would be demanded in any other science with the exception of political economy—is that a necessary relation exists between a decrease in the total business turn-over and the fear of a Federal deficit.

There is no such relationship. Cases can be cited where the total turn-over increased despite deficits, borrowings, and a mounting permanent debt. The proud editor of the Times is content to argue like a police court lawyer when he is willing to assume for the sake of the argument one state of facts in order to disprove another hypothetical state. Scientists are not accustomed to that mode of argumentation, except for hypotheses that are frankly labelled as such, are either to be proved or disproved, and at all events are to be gotten rid of one way or another because they tend to becloud instead of clearing up a problem.

POSSIBILITIES IN AMERICA'S VAST RESOURCES

There is one element of proof which cannot be contradicted, and that is the actual policies government was compelled to adopt in the face of the increasing social disorganization. This is not the preparation of an obituary for a decadent and dying America. On the contrary, this is the record of a glorious struggle on the part of a virile people to escape the consequences of the contradictions in which it finds itself enmeshed, and to organize its latent powers for another upsurge to a plane of civilization as superior for the generality of mankind in the twentieth century as its political institutions overtopped that of the human family during the eighteenth and nineteenth centuries. We are now only at the beginning of the process, but the next step in social progress is definitely under way.

Among the first measures adopted as a solemn covenant of this will to national survival, to grow and to prosper was the conservation of our human material. High among them for the new social outlook it exemplified was the passage of the Social Security Act. There was no new principle involved in this legislation. Many European countries had already embodied the social vision of that measure into law when half of the United States was still the frontier country. It is precisely the fact that the frontier had disappeared, that agriculture had become a business primarily, and not merely a mode of life, that small industry had lost its independence, and the wage-working class, depending exclusively upon the sale of their labor power, had become a definite social group in contemporary society, all that gives to the Social Security Act its tremendous historical importance.

The events which unfolded since the crash of 1929 to the final placement of the Security Act on the statute books signified the irrevocable recognition by all classes of a most distasteful social and economic fact: The dream of the Founding Fathers, sustained through the succeeding generations, that this was to be a nation of self-sufficient, independent small producers in agriculture and industry had come to an inglorious end.

The social realities of Europe with its definite class divisions had at last been reproduced in the United States. True, individuals might rise out of the working class into the capitalist class; such success stories are still blazoned forth, but not with the old fire of conviction that the same was within the reach of every man and woman who possessed the requisite ability and initiative. There was a definite limit to the number of captains of industry and princes of finance the existing social structure could absorb.

MEANING OF SOCIAL SECURITY AS A SOCIAL POLICY

Upon the occasion of the fifth anniversary of the Social Security Act the New York Times published a typically clever editorial upon its significance to America. It remarks upon the long way we have gone from the days when it was considered socially demoralizing to make government provision against even some of the worst economic hazards that the individual encounters. Today millions are no longer haunted by the specter of poverty in old age, while a cushion now exists against the former terrors of unemployment. When the Roosevelt Administration will be viewed in perspective the Social Security Act may be set down as its greatest single achievement.[8]

Such is the wily verdict of the clever editorial intellect. It endeavors to clothe with its halo of hypocritical humanitarianism, preconceived and consciously resolved upon, a law that was dictated by the sternest of political realities. These money-grubbing apologists are heard to plead that considerations of humanity are themselves political realities of the gravest sort. No protestation could be more pharisaically worded.

The warm glow of fellow feeling never stirred the heart of the class for whom the Times speaks. Every measure of social amelioration was wrung from them after the bitterest struggle. If the Security Act was conceded, it was done grudgingly, and only to ward off the possibility of sterner social realities. If considerations of humanity played the role in contemporary history as the editor of the Times pretends, why, right out from the windows of the editorial sanctum on West Forty-third Street, on Ninth, Tenth and Eleventh Avenues, and First, Second and Third Avenues too, is a mass of human misery stoically sustained which would move any heart to action against the causes of so much unnecessary tragedy and unending, living martyrdom.

It is astonishing how these apostles of perspective in history always refer to its future use in evaluating the present day, while they themselves are incapable of applying the perspective principle in the analysis of the past. Here is a Security Act of the profoundest social significance. It is so admitted even by those who most strongly opposed its enactment. After the die had been cast from which there is no retrievement its true nature is glossed over with the sugar coat of humanitarianism.

Every line of that act shrieks out with the din of a diving bomber the travail of a nation which made its enactment a matter of pressing necessity. It proclaimed to the understanding world what had long been the fact—that capitalist economy of its own volition was unable to take care under private auspices of the living labor without which it cannot function; that it could not provide for them fully either in robust manhood or in the infirmities of old age the essentials of human decency; that the wages of employment were insufficient for the periods of unemployment; that after an honorable career in the service of society the superannuated worker would otherwise be left to the uncertain care of his offspring, who are themselves involved in the bitter struggle for existence in the economy from which their forebear had been unceremoniously kicked out; or, worst fate of all, to spend the declining years as an object of public charity which grudgingly sustained him in almshouse or workhouse, since it could not very well otherwise dispose of him.

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[8] New York Times, Aug. 14, 1940.

The Social Security Act once and for all wrote finish to the American ideology of the nineteenth century that opportunity for economic security was here for all who deserved it by working for it. Whether or not the working class deserved it, the first half of the 1931-40 decade demonstrated that they did not have it, and could not have it of their own unaided efforts; and that government, for the sheer protection of society, had to step in to complete the task of human salvage. We have already proven that the inherent laws of capitalist economy make for a wage scale on the lowest level compatible with the existing state of social consciousness, while the worker's annual income is dependent upon the variable state of economic prosperity or depression over which he can exercise no control.

Social legislation of this character in this modern age is not dependent upon the whim of the dominant political faction. When Secretary of Commerce Harry L. Hopkins declared that the real objective of the Republican Party is to repeal the entire body of New Deal legislation,[9] he spoke truthfully of what they would like to do, but he did not tell how Willkie or any other of their new-found leaders could repeal the social forces which brought into existence the conditions that made the New Deal program necessary. The Republicans here would be compelled to do what the British Conservatives did after they took over from the Liberals and the Laborites—continue the policies of social amelioration or go under with the country; and America is not yet ready to commit hara-kiri.

THE NEW DEAL IS AMELIORATIVE, NOT CONSTRUCTIVE

But these are ameliorative measures, and nothing more. They solve nothing. They succeed only in eradicating some of the grosser evils of unnecessary poverty, while maintaining vast masses on the lowest level of subsistence comporting with the lowest level of contemporary human decency.

In this way these so-called progressive measures become the instruments for fastening upon society the chronic slough of decadence, and become the most powerful levers for the destruction of the social fibre. This does not mean that such measures should be opposed; on the contrary, it is a plea that their true social significance be recognized as unimpeachable proof of social stagnation upon the basis of the capitalist mode of production, and of decay in view of a world which despite all surface perturbations is struggling blindly for a new social order. One must fight the ravages of social disease without acquiescing in the economic conditions which brings it into existence.

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[9] New York Times Magazine, Aug. 11, 1940.

That is the distinction between us and those who consider the Social Security Act as a great forward step in the progress of mankind. It is nothing more than an attempt to fasten upon society a permanent means for softening down of some of its more egregious evils flowing out of a productive system which condemns to permanent penury the really productive classes within it.

We yield to none in our admiration for Senator Wagner and the gallant fight he made to write the original Act upon the statute books. At the same time one must recognize the political exigencies which must control the utterances of public men desirous of winning support for their cause from divers social and political forces. His utterances upon the occasion of the fifth anniversary of Social Security express clearly the controlling policy which dictated much of its support.

"In all its phases," spoke Senator Wagner, "the Social Security Act has been a bulwark of the American family, and the American home, a stabilizing influence on our economic system, and a powerful safeguard against subversive forces that would undermine our political institutions."[10] The good old American home was the rider upon which security was ushered into existence to maintain its members on a subsistence level. Without impugning the genuine humanitarianism of the Senator from New York, there is little doubt the preservation of the home played a very minor role, and the preservation of the existing social inequalities a very major actual role, in the writing of that law.

This appeal to the conservative forces in American society was not in vain. There is more than a suspicion that the underlying motives of Senator Wagner in making it was to win support for his proposal to extend the coverage of its insurance provisions and to increase its benefits. Nevertheless the fact remains that a ruling class reconciled to the existence for all time of the largest mass of our people in a state of chronic poverty is its own worst subversive element.

It deliberately dooms society to a condition of stagnation which is the surest forerunner of its decay and eventual destruction. Surely Senator Wagner entertains a higher conception of the future of the American family than that of being permanently held together by miserly assistance from the public funds.

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[10] New York Times, Aug. 15, 1940.

SHIFTING BASIS OF THE SOCIAL SECURITY ACT

Under the terms of the original Social Security Act large classes of families were denied the privileges flowing from its provisions. Millions of workers in agricultural occupations, small industrial concerns and domestic servants were excluded from its benefits.[11] At the same time, the cautious financial approach to its problems resulted in some of the grossest absurdities that had later to be corrected. Some of them, like the meager pittance of the allowance for unemployment relief over a brief period during a single year, and the semi-starvation character of its old-age pension payments, still remain to be corrected.

In the speech of Senator Wagner already referred to, his eloquent plea was directed toward the liberalization of the provisions of the act by extending its old-age insurance protection to approximately ten million additional persons, while the bill he sponsored would extend coverage for unemployment compensation to about five million workers now denied that privilege under existing law.[12] These changes in the basic law affecting the welfare of human beings and the protection of that well-known institution, the American family, are still in the stages of preliminary discussion.

The financial absurdities of the original law affecting principally the immediate revenues of the employing class have already been corrected. This was the provision for setting up a fantastic reserve accumulation which was to reach about forty-seven billion dollars by 1980.[13] According to the brilliant theory of the money wizards who set the original act in motion, a continuing obligation like social security must stand on the same footing as an insurance agreement of a private company. As is well known, the insurance company directors pay out benefits not out of the goodness of their hearts but from the income of funds previously provided by the insured and set aside for that purpose according to well-established actuarial principles and accountancy methods. The Advisory Committee on this legislation did not appreciate the fact that government for its proper purposes has recourse to an inexhaustible, because annually recurring, reservoir of national income into which it must continually dip for its current expenses.

All taxation whether direct or hidden, is a deduction from surplus value, as we saw, except insofar as it results in a lowering of the standard of living of the producing masses. But otherwise taxation is merely a redistribution of already created income among the categories receiving from or dependent upon government funds. The theory of the Advisory Committee was to make Social Security self-supporting by imposing a tax on the payroll, one half of which was to be deducted from the worker's wages and the other half to be paid by the employer. Besides this, a reserve fund was to be accumulated whose income would be large enough to cover the deficit between the income yielded by the taxes and the disbursements involved in benefit payments.

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[11] America in Midpassage—Beard, pp. 290-1.

[12] Speech reported in New York Times, Aug. 15, 1940.

[13] Government and Economic Life—Lyon, Vol. II, p. 1225.

WEIRD ECONOMICS OF THE SOCIAL SECURITY PLANNERS

As contemplated by Congress the payroll tax was to begin at two percent, and rise at three year intervals to six percent in 1949 and thereafter, until ultimately the tidy sum of $47,000,000,000 was to be collected and invested in sound securities to yield income until the crack of doom. Unfortunately all these schemes of perpetual income are based upon the freezing of. historical relations which are themselves relative in time and extremely variable in character.

Most of us have heard of the miraculous results theoretically possible by compound interest over the centuries, until the stage can be reached where a government, fully awake to these hidden possibilities can provide every singular person with the income of nabob and the same luxurious style of living. There must be a catch in it somewhere. There is. But even such a clever Minister as William Pitt the Younger was taken in by the plan to pay off all future British public debts by setting aside a few million pounds at compound interest.

Congress soon found out the hitch in its own pleasant arrangements to free future generations from social security worriments. In the first place, it was discovered that these heavy payroll taxes drained off a large part of current income. Both capitalists and workers had that much less to spend or save, in proportion to their social security payments. Reductions in net income for workers became a fruitful source of unrest and demands for increased wages, which if met, would result indirectly in the employer bearing the full brunt of social taxation. By a strange irony, those who urged so strenuously the policy of balancing the budget experienced for a time the full blessings of their economic cure-all, and they did not like it. The rapidly mounting annual social security pay-roll taxes were about equal to the government deficit.

Necessarily, the funds thus accumulated in the Federal Treasury were not allowed to lie idle. They were invested in the most solid of all securities, United States Government bonds. To the extent that the government was becoming a holder of its own securities, it was in effect wiping out its own debt, though certainly not its legal obligations to the insured. By 1980, as contemplated, forty-seven billion dollars of government bonds would be held by the Social Security reserve fund.

True, interest would be paid on those bonds, but in reality the government on one hand would be appropriating funds to meet the requirements on its outstanding bonds, while with the other hand it would receive those same interest payments from which to meet its security payments. In substance, the government debt would be wiped out to the extent of its reserve fund holdings, and only the interest payment nominally made on them for the benefit of the security claimants, would actually leave the public treasury. In short, the practical working out of this scheme proved to be an indirect way of wiping out the public debt and meeting social security requirements from taxation. Here was a most unexpected, and as it turned out, unsatisfactory answer to those who argued for the reduction of the public debt as the certain road to prosperity.

Some very queer arguments were advanced by the most respectable elements in society against the iniquity of such a procedure. One of them was that the funds set aside for the old folks was actually being squandered because they were invested in evidences of public debt, the proceeds of which were being used to finance current Federal deficits. Instead of the money being on hand for the old folks in future years, it was being spent on public works, farm benefit payments and for other non-productive uses. It would be no purpose to dignify with a reply such transparent idiocy had it not been advanced in authoritative sources. Lyon [14] is too mild in his refutation of such drivel.

Everyone concedes that the government had to put these Security Reserves to some use if it was to earn interest. The question properly arose where to invest these funds with due regard to their safety and certainty of income. For the sake of argument the administrators might have invested them in other prime securities of State governments, municipalities, public utilities, standard corporations and the like—assuming that the law allowed it. The physical wealth which those securities and evidences of debt represented would now be embodied in a multitude of other governmental and private enterprises. Insofar as they were prime securities, they could not have paid a greater rate than those of current Federal bonds; a glance at

[14] Government and Economic Life—Lyon, Vol. II, p. 1227.

the financial reports of the daily newspaper would prove that to be the fact for reasons beyond the scope of this discussion. Prime private securities never lacked a market, with banks burdened by excess reserves.

From the standpoint of certainty of income, when the social instability of the American scene becomes such that the payment on the Federal debt is in doubt, the payment on all other debt will already have stopped. There is no sense in arguing this point any further. The only logical investment for the Social Security reserves was in Federal bonds.

But when the rapid accumulation of that reserve began to affect the income of the capitalist class through the heavy taxes on the pay roll, the pressure for Congressional relief became overwhelming. Congress listened carefully and acted quickly. The pay-roll taxes for 1940-42 were frozen at the two percent rate, one percent each for the employer and employee, thus eliminating the gradual rise to a permanent six percent. The principle of a huge self-supporting reserve fund was abandoned, and only a small contingency fund was provided for.

There would be no more rapid reduction of public debt holdings in private hands. An unusual form of pump-priming was thus assured, by greater portions of annual revenues being allowed for general distribution, while on the other hand, general taxes would make up whatever deficiencies turned up in the annual social security requirements. The right hand must not know what the left hand is doing, and it is the fond expectation of some optimists that contemporary society can go on indefinitely wallowing in this mass of contradictions and petty subterfuges without sooner or later being called to account by the developing forces of history.

SOCIAL SECURITY AS EVIDENCE OF IRRECONCILABLE SOCIAL CONFLICTS

Because the Social Security Act represents the final acquiescence of the reigning ideology to the permanent proletarianization of the American industrial working class, it is worth while to consider its practical effects. Lest some people recall too clearly the dictionary definition of a proletarian as a propertyless citizen, and the apologists begin to brush up on the statistics telling how many automobiles, radios and homes are owned by the working class, let them recall that we are here dealing with realities of life and not the obfuscations of medieval metaphysics where the disembodied word is translated into the substance of existence.

The industrial working class, as a class, must depend for their means of life upon the sale of their labor power in order to participate in the revenues of society. When the economic conditions are such that for any member of that class the opportunity for effecting such sale is closed, he must rely upon his own resources. These savings are pitiably small.

As a social being, as a man of the world, he possesses the normal desires and appetites of his species. He likes to keep as good a home as he can afford, deck out his wife and children so that they can hold their own among his particular type of the ubiquitous Joneses. For that reason he sometimes buys a home, with a heavy mortgage attached. Also there is a family car, radio, electric refrigerator and other appurtenances of civilized existence, frequently purchased on a conditional sale with notes to be met out of income. A good deal of our blessed American prosperity depends upon this installment selling.

So long as the job is secure, everything is fine and dandy. Once the regular flow of revenue is disrupted, and this continues for any length of time, economic rigor mortis sets in for this family unit. Its very riches in usable goods now become the means for this family's social strangulation. Mortgage payments must be met, notes must be paid, and appearances must be kept up for the neighbors. Ultimately, as actually happened in millions of such American homes, recourse must be had to government agencies for relief.

We will leave to others the story of heart-break and utter desolation before a proud, independent American family can compromise sufficiently with its self-respect to appeal for public assistance. But it had to be done in the final resort. The administrators of such relief had to deal with realities and not with the intellectual subterfuges of the apologists. They realized that the modern proletarian can own land, house, automobile and the hundred other knick-knacks of contemporary civilization, and still be one of the socially dispossessed. An enlightened public conscience grasped instinctively the real distinction between a proletarian and a pauper, and refused with typical American magnanimity to compel the taking of a pauper's oath to qualify for relief.

SOME VITAL SOCIAL SECURITY STATISTICS

Upon the occasion of the fifth anniversary of the Social Security Act, the magnitude of its operations was the subject of general comment. During that period of its existence there had been built up no less than sixty-four million individual accounts. There had already been disbursed $3,000,000,000 to its clients, and reserves of $3,500,000,000 had been created.

The complex administrative system functions under three general headings, the Bureau of Old-Age and Survivors Insurance, the Bureau of Unemployment Security, and the Bureau of Public Assistance. By June, 1940 102,941 persons were on the government rolls for old-age pensions or payments to the aged survivors of the insured. Under the unemployment provisions, nearly 1,500,000 jobless workers were drawing payments during that month.

By the terms of the Act, the Bureau of Public Assistance functions outside of the contributory features of old-age and unemployment insurance where stipulated deductions are made according to the pay-roll tax. Here direct grants-in-aid are made from the Federal Treasury to match similar payments by the States to the needy aged, the needy blind, and for the support of needy dependent children. Under this public assistance program, besides those receiving benefits under the insurance features of Social Security, there are nearly 3,000,000 old people, needy blind and dependent children for whom provision is made in monthly payments.[15]

In addition to these essential aspects of the Act, the Social Security Board which is its administrative organ, makes provision for government assistance to those requiring vocational rehabilitation and to co-operate with the States in advancing a far-reaching program of providing for the public health.

RUGGED INDIVIDUALISM AGAINST SOCIAL SECURITY

No person possessing normal humanitarian instincts could possibly find objection to the enlightened aspects of the Social Security Act. But by the same token, the beneficiaries of, and the apologists for the status quo before the Great Depression are heard to complain against it on the grounds that the entire program is contrary to Americanism, while the effects of its economic program is such that it fastens upon the country as a permanent feature of our national life the very social conditions to which it ministers.

We can forego the mealy-mouthed plea of these self-appointed keepers of the American conscience. Invariably they are found among those who have by various legal and other devices appropriated for themselves control over the productive wealth of the nation. It is one of the recurrent mysteries of socialized existence how those who contrive to obtain for themselves the mass of the world's goods can look with such equanimity upon their numberless fellows who spend their lives in unremitting labor and in the end have nothing to show for their Spartan abstinence but bare cupboards in hovels where the upper class would not house their breeded cattle.

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[15] Luther A. Huston in New York Times, Aug. 11, 1940; special article.

Concerning the theoretical position adopted by their hired intellectual prize-fighters, that can be summed up in the following: The billions of taxes imposed by the Social Security Act constitute a serious drag upon the incomes of individuals and corporations, depriving them of funds which would otherwise find their way into productive channels, thereby enhancing the unfortunate circumstances the Act desires to alleviate. To minds incapable of reasoning beyond the second move—and the intellectual level of capitalist ideology does not require any other—the argument seems conclusive. The more taxes the rich pay, the less capital will they have to invest in enterprises that supply employment to the masses. Ninety-nine percent of the content in discussion on taxation does not rise above this level.

The scientific historian can point to the banks now bursting with surplus funds searching a profitable avenue for employment; he can inquire as to just what kind of productive employment the tax revenue thus siphoned off will be put in the view of these apologists. While the clever theoretician stutters and stammers about this industry and that, he can point to the fact that all these industries were working at a fraction of their capacity, until the blessing of rearmament pump-priming came along, because the shelves and stockrooms of distributors were bursting with unsold goods. And finally he can point to the incontrovertible fact this colloquy would disclose that taxation from whatever social class it is derived is a deduction from its revenue, and represents merely a re-distribution of already created income, and that the bellowings of the capitalist class over social security is just another of their cute little ways of indicating an unyielding objection to the reduction of their income from which all tax funds are ultimately derived, unless the tax results in a lowering of the existing standards of living of the masses of our population.

B. Economic Security for the Farmer

EMERGENCE OF THE AMERICAN PROLETARIAN FARMER

To the proletarianization of the industrial population we must add that of an immense number of the agricultural population, whether or not they are owners of the land, encumbered or free from mortgage obligations, who are now dependent upon the policy, even the largess, of government.

In a recent study of the sociology of rural life T. Lynn Smith comes to the conclusion that the future of the American farmer is now fully determined by the nature of state and national programs. "The tariff," writes Prof. Smith, "the general property tax, the commercialization of agriculture, specialization by enterprises and tasks, the Federal Farm Board, 'seed loans,' drought relief, and finally the Agricultural Adjustment Administration, have all had part in bringing this situation about." [16] He does not indulge in vain pleadings for the return of the good old days of rugged individualism on the farm, for the simple reason that the system of laissez-faire had created the very evils those relief measures were intended to assuage as far as possible.

No condition illustrates the beatitudes of capitalist economy so perfectly as the need for relief to farmers both when crops are too plentiful or too meager, when fatted cattle are killed off to relieve the pressure on a glutted market, or when fodder and seed are rushed into the same area because of a temperamental season.

Brunner and Lorge recently undertook a well-financed and well-conducted survey of rural trends during the depression years. A study of 140 village-centered agricultural communities was undertaken in 1936 and they had before them for comparison the results of similar economic studies of the same village centers during the years 1923-4 and again in 1929.[17] They conclude that the relief problem was such that "the like of it has never been known in our previous history." [18]

With the increasing misery on the country-side, strange to say, there was a distinct reversal in the old trend from the rural to urban centers of population. The offspring of the farm came back to the old homestead if only to make sure of the three square meals and the roof over their heads they could not find in the city after the factories closed down.

Another surprising feature was that more people actually were settled on farm divisions than there were in the previous studies. The number of farm divisions in the 140 localities studied increased 27% in New England, 11% in the Middle Atlantic States, 12% in the East North Central, about 8% for the South generally, and 13% for the Far West.[19] The population swing to the farm between 1930-

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[16] Sociology in Rural Life—Smith (1940), p. 531.

[17] Rural Trends in Depression Years—Brunner and Lorge (1937). Introd. pp. 5-6.

[18] Ibid., p. 357.

[19] Ibid., p. 5.

36 varied from 5% to 13% for the different sections studied, with an average for all of about 7%.[20]

Obviously the limited scope of their study could not be used as a basis for social generalizations of significant importance, but there was no mistaking the trend of population increase was definitely toward the rural areas rather than toward the town. Our agricultural statistics are, on the whole, wretchedly compiled; a conclusion which is fully supported by the work of Sorokin, Zimmerman, Galpin and Brandt who have labored so hard to disperse the aura of rugged individualism traditionally associated with the farm and all those who live on the land.

ALARMING HEALTH CONDITIONS ON THE COUNTRY-SIDE

Smith feels called upon to put in a sturdy defense for the rural communities when comparing their health data with those of urban centers,[21] a genial partiality which one notes in other writers on rural sociology whose center is in some important educational institution in an agricultural state. Yet there are admittedly dark spots.

In a far-reaching report prepared under the auspices of the National Resources Committee submitted to the President in February 1937, the Committee urges the extension of adequate health and hospitalization facilities for rural communities. Much of the so-called laziness and shiftlessness of backward areas was found to be due to debilitating diseases, malnutrition, poor dietary practices and low standards of personal hygiene.[22]

On the score of public health our urban population, despite the wealth of facilities and services at its command, are to a considerable extent lacking in the financial means to command it. This striking fact was brought out by the New York Times—which to its honor be it said, has conducted a consistent campaign for the substance of socialized medicine, minus its name—when in connection with the appeals for army enlistments, it was discovered that 30 percent of the volunteers in the New York area were rejected on the ground of physical disability.[23] The lowered death rate of the period is due more to a high standard of social hygiene rather than to the higher standards of health service.

A recent report of the American Medical Association established that the adverse economic conditions in rural areas inhibit the advent of new medical blood, that the number of doctors there are getting fewer while the doctors themselves are getting older.[24] This explains at least one of the contributing factors toward the depressing state of rural medical care.

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[20] Rural Trends in Depression Years—Brunner and Lorge (1937), p. 66.

[21] Sociology of Rural Life—Smith (1940), pp. 109, 207.

[22] Quoted at length in Rural Roads to Security—Ligutti and Rawe (1940), pp. 352-3.

[23] New York Times, Aug. 18, 1940.

There is all the difference in the world between the health of a community and the state of medical care it is prepared to offer those who require it and are able to pay for it. Those who die prematurely due to lack of hospitalization and the treatment associated with it, do not register in the health statistics of those that survive. They are simply numbered among the deceased, not among those who under different social circumstances, might have survived—of which there can exist no doubt.

From physical health we turn to spiritual well-being as represented by that ancient and formidable institution, organized religion. Here again one observes the ravages of depression upon the scope of church activities. Where in Protestant regions church expenditures were $16.89 per capita in 1924, this had fallen to $5.67 in 1936.[25] This was reflected in a drastic reduction of the salaries received by resident and non-resident ministers who averaged $1,441 in 1924, but only $1,059 in 1936.[26]

However distasteful the admission that vast numbers of our fellow Americans on the farm were in dire need of immediate public assistance, that brutal fact had at last to be frankly recognized; but only so after the passage from the scene of the Hoover Administration. It was tragic enough for that great Engineer to witness the collapse of all his grandiose schemes for the permanent prosperity of industry; he could not quite bring himself to the recognition of a similar collapse, though longer in gathering, upon the farm. The succeeding Administration could enter upon the work of human salvage with a considerable amount of buoyancy. After all, they were engaging upon a clean-up and rehabilitation job, of consequences that they inherited, rather than produced by it.

We have already described the larger aspects of economic salvage on the farm that engaged the activities of the Agricultural Adjustment Administration. The problem of human salvage was not neglected. This took the form of two principal activities; the first, directed toward improving the economic position of those on the land by various forms of technical guidance and financial aid; the second, by the removal of families condemned to eke out a miserable existence on sub-marginal land, and their resettlement on better land with subsequent direction and financial aid.

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[24] Sociology and Rural Life—Smith, pp. 111-17.

[25] Rural Trends in Depression Years—Brunner and Lorge (1937), p. 292. Ibid., p. 308.

[26] Rural Trends in Depression Years—Brunner and Lorge, p. 321.

RESETTLEMENT FARM PROGRAM

No program undertaken by the New Deal reflects greater honor to the humanity of the Roosevelt Administration than this long-needed succor extended to the forgotten people of our abundant American citizenship. This was the work of the Resettlement Administration. Poor land which could no longer repay its care was taken out of cultivation and diverted to more suitable development, such as grazing, wild life preserves, or permitted to revert back to forest, and subsequently to be used for recreational purposes, or remain unused as part of the public domains. In the re-organization of governmental bureaus the R.A. was absorbed as the Farm Security Administration of the Department of Agriculture.

During the course of its existence the Reconstruction Administration built thousands of small houses in hundreds of communities, constructed four "subsistence homestead" communities, and four suburban "greenbelt" communities for industrial workers who combined factory labor with farming. In these self-contained centers there were constructed besides homes, all the necessary appurtenances of civilized life, including stores, laundries, theaters, schools and recreational facilities. The business activities in these communities were organized on a co-operative basis.[27]

Some of these communities have since broken up. This is a reflection not upon the nobility of conception of those who brought them into existence, but rather upon the inability of average social beings brought up in an environment whose predominant ideology is individualistic, to eradicate from memory the infirmities of contemporary society which they transplanted into strange co-operative surroundings.

The blame for their failure is not the defects allegedly inherent in co-operative systems, but lies imbedded in the impossibility of men to escape the gravitational influence exercised by the prevailing ideology of the historical field. If these Utopian schemes fail, it is only because utopias cannot be realized in little oases that pretend to be removed from the current stream of society while their nostrils dilate with its spirit every time they read the metropolitan newspaper, and gaze upon flickering scenes of a Hollywood movie.

[27] Government and Economic Life—Lyon et al., Vol. II, p. 1136.

GOVERNMENT INTERVENTION TO SAVE AGRICULTURE

Closer study of the agricultural problem from the social viewpoint has emphasized that a new and permanent relationship has been established between the farmers as a social group and the agencies of government. In the old days the proper sphere of government in agriculture was limited to making the land accessible for settlement by the homesteader and subsequently to issue weather bulletins and market reports, to give advice on methods and send seed occasionally, to extend the postal delivery and perhaps tinker with the money system so as to help ease the farmer's debt burden. The First World War brought the staple crop farmers finally within the orbit of capitalist economy, from whose influence they have never since succeeded in extricating themselves.

Nor have they desired very much to do so. What the farmers want is the positive advantages of production for a general market, while they seek to evade the consequences flowing from that condition on the basis of a capitalist economy. By relying more and more upon the proceeds of a cash crop, the farmer is enabled in good years to supply himself and his family with those amenities of civilized existence hitherto confined to the inhabitants of large centers, or to the upper strata among the farm owners.

Modern times are characterized by the fluidity of communication in ideas, which reflect themselves in a generalization of the social standards of living. The old-time distinction between city slicker and country hick no longer holds. The farmer is more and more dependent upon the products of industry for his accepted standard of living. The all-purpose homespun and household industry days are over. The shoes, clothing, furniture, even the flour, meat and bread eaten on the farm to a large extent, are commodities now bought in the market and no longer the product of the household.

THE AMERICAN FARM-FAMILY UNIT

Farming will never become organized on a basis comparable to industry; that is neither socially necessary nor economically desirable. The small-scale, independent character of American agriculture will be emphasized in the future, regardless of what the Union Square Communist philosophers might think with their eyes glued on the collectives of the Soviet Union and their minds attuned to the dictates of Stalin speaking through the Communist International.[28] It is one of the rare achievements of the New Deal that it has fostered voluntary co-operation among the farmers, and organized its economic program on the basis of democratic agreement among the vast majority of producers of a specific crop.[29] At the same time it has fostered the development of the single farm-family unit as the foundation of American agricultural life.

It is not necessary to subscribe to any philosophy of agricultural fundamentalism in the terms of J. S. Davis [30] in order to recognize that man cannot live by machines alone. By the same token, modern agriculture is inconceivable without the assistance of industry.

But while industry is best operated on a large-scale, collective basis—and modern industry is no less economically collectivized even if a particular branch be the private property of a large corporation —the agricultural farm-family unit should be maintained wherever possible. The true policy of government, in view of existing historical conditions in the United States, together with long-time sociological tendencies which cannot be diverted peremptorily without tremendous social, economic and political repercussions, should be to advance the farmer's independent status.

By farmers is meant not only those landowners who traditionally have usurped that designation, but all those who labor upon and are dependent on the land for their living. Once more the United States has been fortunate in the enlightened policies advanced by Secretary of Agriculture Wallace and supported with unvarying determination by President Roosevelt.

THE LANDLESS FARMER, THE TENANT, AND THE SHARE-CROPPER

During the past few years the nation has become acutely aware of the existence of vast numbers among our population who could well qualify as the forgotten men—the farm tenants, share-croppers and agricultural workers.

Well could Smith write that these social categories were among the most neglected in the entire consideration of the farm problem, by which traditionally was meant the owner of the land, with and without mortgages, and the complex of his economic and social needs. Suddenly we discovered to our amazement that in 1930 there were no less than 2,360,846 males eighteen years of age and over whose gainful occupation was reported as wage-worker in agriculture.[31] The farmhand had been extolled in song and story, and somehow we all took it for granted that this status was but a temporary one on the high road to farm ownership.

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[28] I Confess—Gitlow; former American Communist leader (1940), pp. 429, 555.

[29] Government and Economic Life—Lyon et al., Vol. II, p. 938.

[30] Government and Economic Life—Lyon et al., Vol. II, pp. 942-3.

Lately we have learned that the great mass of laborers continue on in a hopeless state of chronic economic insecurity. This refers particularly to the groups of migratory farm laborers, often traveling as entire families, whose labor is required at critical stages for the arduous work of cultivating and harvesting such crops as sugar beets, berries, and market vegetables. The President's Committee on the problem recommended that decent places should be provided for them during their short stays, while they protested that ordinary dictates of elemental humanity should revolt at the present system of driving them off the land when their labor is done, to shift for themselves as best they can, but always in the next town, the next county, the next State.

In a powerful novel by Steinbeck called the Grapes of Wrath the plight of these unfortunate workers was brought to the attention of the book-reading public, while an enlightened movie magnate saw in this theme an opportunity for profit and incidental entertainment for the cinema fans. For all practical purposes, both Hollywood and cinema goers got what they wanted, and the country as a whole has forgotten the subject by this time. Fortunately, the memory of a pro-social Administration goes much further, and among the substantial achievements of the New Deal is its courageous efforts to cope with the problem, both by extending immediate relief, and in a long-term program designed to establish such migrants permanently on land of their ownership.

By the same token, the Roosevelt Administration did not neglect those other proletarians of the farm, the tenants and share-croppers. Some important differences are to be distinguished between the two categories. The tenant on a farm is often the possessor of some capital. His rights are generally regulated by contract in writing. Often this is not the case, and thereby lends itself to abuses against the weaker of the parties.[32]

A tenant is one who secures rights to the use of the land for a specified time through the payment of rent to the owner, usually in the form of a definite division of the crop; a share-cropper remains on the land by arrangement with the owner who generally supplies him with equipment and makes advances in food and other allowances until the crop is garnered. The tenant has definite legal rights

[31] Sociology of Rural Life—Smith (1940), p. 287, quoting abstract of 15th census.

[32] National Resources Committee, 1937; quoted by Ligutti and Rawe in Rural Roads to Security, p. 349.

in the land, the crops and the movable improvements he brings to it; the share-cropper has no such legal rights in the land or the crop he raises, and his claim is substantially one for wages due for services rendered. In effect the share-cropper's return is actually a disguised form of wages. As in the wages system in industry all title to the product of the share-cropper's labor rests in the owner of the capital which he employs.[33]

Share-cropping, as we saw, is prevalent chiefly in the Southern cotton fields, where the system was most highly developed to replace the severed socio-economic ties of the slave system after the Civil War. The census of 1930 revealed that 73 percent of the cotton farms are operated by share-croppers and tenants,[34] while almost 45 percent of the nation's farms as a whole are operated by others than their owners. In addition to the agricultural wage-workers and share-croppers the same census showed that the tenant group totalled 2,664,365.[35]

The social consequences of these facts are enormous. The agricultural renter is a transient, seeking to get the most out of the land while putting as little into it as he possibly can, for the reason that any permanent improvements of the soil revert to the owner upon the termination of the lease. A good deal of the soil erosion problem arises from this fact.

For all classes, renters, share-croppers and mortgaged farm owners, the evils of this system are incalculable. None of them can sink their roots firmly into the soil. For each of them, the day must come when they must move on. Statistics show that the share-cropper's period of occupancy is 2.8 years; for the cash renter it is only 3.8 years; while the average owner encumbered with a mortgage is compelled to move out and on in 9.2 years.[36]

TECHNOLOGICAL DISPLACEMENT OF FARM LABOR

To this vast horde of farmer migrants must be added the more or less permanent workers who are displaced by technological improvements in agriculture.

The startling facts are that whereas in 1882 it required seventeen hours man labor to plant and harvest 100 bushels of wheat, mechanization had reduced that to seven hours in 1932.[37] Even there the practical application of technical advancement is restricted by economic and social factors beyond the scope of this study. The fact is that "more persons now are engaged in agriculture than can be supported if a steady rise in rural living standards is to be achieved." [38] In 1840 agricultural occupations comprised 77 percent of all persons gainfully employed in the United States; by 1930 the proportion had dropped steadily to only 21 percent.[39]

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[33] Sociology of Rural Life—Smith, pp. 267-8.

[34] Ibid., p. 277.

[35] Ibid., p. 287.

[36] Rural Roads to Security—Ligutti and Rawe, p. 87.

[37] Technological Trends and National Policy (1937), U. S. Publication, p. 101.

Here, too, we see evidence of the machine expropriating the worker where it does not exploit and brutalize him. The influence of machinery on the farm is particularly in evidence among the "tractor-ousted" laborers with their families who cluttered the roadsides along the commercially-operated fruit and vegetable ranches and cotton fields of the West. The rancher is in great haste to invite labor in at the critical moments of sowing and harvesting when he needs it, but, as the New York Times pleads with the self-evident virtue of the capitalistically righteous, "the rancher cannot and will not assume responsibility for it when he doesn't need it." [40]

With pharisaical unctuousness the rancher is absolved of his now unwelcome burden in human cargo and the laborers are left to shift for themselves while the town police keep prodding them along. The kindly editor hopes that nobody starves, and even suggests that a little privation now and then is good for most people; that is, so long as it does not strike home. "An agricultural labor system," the same editor philosophised with an abstract tone as if he were writing of the inhabitants of Mars, "which depends upon the degradation of helpless human beings cannot persist indefinitely."

But that is exactly the situation here in the United States, and no one yet has observed that powerful newspaper leading a battle of the righteous against the iniquity of which it complains. The pulpits of every religious denomination have resounded with similar platitudes on other matters with similar genteel indignation, but concerning which all real interest ends after a fluent peroration and a flowing phrase.

How real is the problem to the nation, how grave its consequences to so many millions of our fellow citizens is evidenced by the testimony adduced before a special House committee investigating interstate migration of destitute citizens. Dr. Rupert P. Vance of the University of North Carolina stated that 6,500,000 persons left farm homes in the Southeast for new abodes between 1920 and 1930, principally because of inadequate income, and in a chronic search to better their lot.[41] He defended their privilege of moving from State to State as both an economic necessity as well as a constitutional right in our society. Most of those involved in this ceaseless flow hither and yon and back again would gladly forego an abstract Constitutional privilege for the very real one of making a decent living in accordance with American standards.

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[38] Ibid., p. 101.

[39] Ibid., p. 107.

[40] Editorial, New York Times, Mar. 6, 1940.

TYPICAL PROBLEMS OF THE TENANT FARM

Iowa is faced with the rankest development of the tenant farmer situation. The report of the Iowa State Planning Board on this problem is illuminating because the conditions it exposes are typical of all areas, outside of the South, where tenancy now exists.

Over 50 percent of the farms and 58 percent of the land in cultivation in that State were operated by tenants.[42] It is estimated that almost 7,000 owners are operating under the moratorium law enacted in 1933 because the overwhelming pressure of public opinion prevented their eviction; a factor which saved many more farmers from the tenant status.

With respect to the value of all farm real estate, the equity of the farm operators of all types was only 25%, while 75% of the equity belonged to landlords or mortgage holders. Thirty-four percent of all tenants had been on their farms for less than two years. "Such unstable conditions necessarily lead to severe soil exploitation, to neglect of farm improvements, to tremendous losses involved in frequent moving, and to reduced incomes of both tenant and landlord. In addition, rural institutions, particularly schools, churches, farm and co-operative organization, and other social activities are suffering severely from unstable tenure conditions." [43]

The fundamental cause, among many others, of this situation is the low agricultural income compared to that derived from industry and commercial enterprises. In 1929 the total income from Iowa agriculture was estimated at $451,000,000, as compared to $194,000,000 from manufacturing; in 1934 the respective figures were $298,000,000 and $123,000,00, while on the basis of parity in prices on an equitable level with industry the income of agriculture for its products should have been $650,000,000.

This is the crux of the depressing state of farming in general, and of Iowa's high mortgages on farm land in particular, since most of them were placed during the fat years of prosperity. "No tenure system can withstand the onslaught of extreme price fluctuations and the paralyzing effect of chronic price disparities between the things farmers sell and those they buy, a disadvantage under which agriculture had been laboring during many decades." [44]

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[41] New York Times, Aug. 15, 1940.

[42] Substance of Report in Ligutti and Rawe's Rural Roads to Security (1940), pp. 353-9.

[43] Ibid., p. 359.

Those former rugged individualists of the Iowa State Planning Board therefore recommend Federal Government assistance to stabilize prices, arrange for more adequate credit facilities, promote farm home ownership, prevent land speculation and concentration of land holdings; and for the tenant specifically to abolish deficiency judgments, invalidation of waivers to legal rights wrung by the provisions of his lease, and limitations of the landlord's lien. They urge also a tax on capital gains from sale of land, protection against crop failure or depression, revision of foreclosure procedure in behalf of the debtor, and join in a plea to expand materially the Tenant-Purchase Program of the Bankhead-Jones Farm Tenant Act passed by Congress in 1937 to carry on the projects begun by the Resettlement Administration.[45]

The Iowa Commission also recommends that the tenant be protected in his efforts at soil conservation and improvement by compensation for unexhausted improvements upon the termination of his lease.

COLLECTIVE FARMING AND THE AMERICAN TEMPERAMENT

From all the available data, there is developing in the United States a large class of landless rural people.[46] Some pseudo-radicals have hailed the advent of large-scale ranch and plantation farming as the solution for the agricultural problem. They reason by analogy that where concentration of industrial production has manifest advantages in economy and efficiency, the same would result if the best situated and most fertile fields were farmed by giant enterprises, such as exist in certain Western States, or are now found in the great collectives of the Soviet Union.

Another difficulty with our more intelligent, philosophic radicals of the type of Lewis Mumford is that they lack the historic sense of timing. They do not seem to realize that the most desirable ultimate objectives may be defeated by pursuing a line of ill-considered immediate policy. Thus Mumford contends that the efficient utiliza-

[44] Rural Roads to Security—Ligutti and Rawe (1940), pp. 353-9.
[45] Government and Economic Life—Lyon et al., Vol. II, p. 932.
[46] Sociology of Rural Life—Smith, p. 290.

tion of land is impossible unless by large-scale, collective agriculture. He appreciates that the small family-farm unit has an important role for the type of crops where individual skill, initiative, and quick intelligence is all-essential, as against the factory type of worker on the fields. Yet he starts out with the bald statement that "the first step toward rationalization in agriculture is the common ownership of the land." [47]

The first step toward defeating rationalization in any type of American agriculture is to come before the American farmer with such a program. Mumford tells us that such forms of ownership prevailed in Europe before capitalism established the cult of private property for every means of production. But even the word ownership is improperly used. The medieval communal village did not think in the terms of twentieth century capitalism with its cult of private property. Instead of abstract legal titles, they had human rights in and on the common lands. Land to them was a gift of nature, just as even in our besotted times we still look upon air and the flowing waters; a natural gift to be worked in common and enjoyed in common.

If those who draw such facile analogies between modern industry and ancient agriculture were as conversant with their historical differences, perhaps they would not be so cock-sure in their determinations. For one thing, a man with a spade and hoe and a strip of land could eke out an existence. No machinist, be he ever so expert or ingenious could contrive to set himself up as a going producer of automobiles with his modicum of equipment. As for collectivization, the historical background of the Russian mir with the accompanying baronial estate will account for and even justify the policy of Soviet collectivization. The absence of that essential social background would demonstrate the impossibility of transplanting upon American soil, with its tradition of small, independent land ownership, the agricultural policy of the Soviet State.

At the other extreme is the Utopian land scheme entertained by some of the authors of the early New Deal program with its back-to-the-farm and land subsistence motif. The American nature is not yet reconciled to a grubbing existence close to the soil, so close that he cannot hope ever to participate in the larger amenities of American life. His pioneer ancestor blood has not yet congealed in his veins. He still aspires to the greater things in life, but on a twentieth century pattern; if not for himself, at least for his children.

To the always hard-working American farmer of beloved tradition the land meant an abundant return to him who worked it. His de-

[47] Technics and Civilization—Mumford (1934), pp. 381-2.

scendants have been caught in the meshes of an economic-legal system which deprives them of an ever larger portion of the abundant wealth their labor creates. They are beginning to let legal quibbles to the masters of jurisprudence, while the American agricultural masses are thinking on how best to regain their former control over the state. The farmers have showed where they stood in 1932, in 1936 and have again in 1940. After all, a bushel of wheat today still goes as far as a similar bushel during their father's time, and despite their alleged rugged individualism they are determined to get as much in return for it as measured by the other desirable things in life.[48]

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[48] William Allen White in article on 1940 election; in New York Times Nov. 10, 1940.

CHAPTER XXVII

The South—America's Problem Number One

HISTORIANS SUGAR-COAT THE REALITIES OF THE SOUTH

Problems concerning the South are customarily handled by the historian with considerable circumspection. A combination of reasons lead him to gloss over the realities, and not a few show evidence of deliberately evading too close a knowledge of these realities in order to salve their consciences for the customary stereotyped presentation. At this late date the after-math of the Civil War is still found rankling deep in the consciousness of the inheritors of the Confederacy.

Old animosities have not yet been eradicated but are superimposed upon the usual prejudices of men. Since the vast majority of historians of standing were bred in the Northern atmosphere, they do more than bend over backward in their obvious, and therefore irritating efforts at playing a judicious, diplomatic role under the pretext of fairness to the South in order to demonstrate their intellectual emancipation from unseemly prejudices.

Such a spirit is foreign to the mentality of the true scientist. No historian, no more than a physicist, can afford the luxury of entertaining prejudices. He looks for facts, relations and forces. The Southern gentleman and the poor white, the tenant farmer and the Negro share-cropper, all are definite products of the Southern scene. The scientist desires to discover the effective social forces that produced this scene, while the apologist will paint various mental pictures to conform with a pre-determined pattern.

Hence the latter-day saints in historical writing generally begin by bemoaning the fratricidal war, then pay tribute to Southern honor, chivalry, and all the virtues of the book; after which they seek rather grotesquely at this late day to go about pretending to bind up the nation's wounds, and begin by hiding the festering sores underneath the existing Southern social system. These same historians, examples from whose writings we have frequently quoted, will not hesitate to probe deep into the cancers of Northern society and expose the realities as they find them; but when it comes to the South, they suddenly assume the garment of statesmanship, but in a too stagy Machiavellian fashion to ring true in relation to their previous forthrightness. Genuine concern for the future of the millions of Southern Americans cannot afford the pleasure of these inane and harmful posturings.

STUDY OF THE NATIONAL EMERGENCY COUNCIL

It required genuine statesmanship on the part of President Roosevelt to engineer a scientific study of the real South, leaving to Hollywood the display of courtly mansions, and to mammy singers the troubadouring of the happy, contented life of the sunny South.

After considerable diplomatic maneuvering Roosevelt finally got around to the appointment of the National Emergency Council which in the course of its inquest was called upon to investigate and report upon the conditions of the South, termed in the current phraseology, America's Problem Number One. The National Emergency Council was assisted in this phase of its work by an advisory committee consisting of twenty-two members, all Southerners, and drawn from what would be considered as the best elements of that section, judging by the impressive array of business, legal, cultural and religious forces whom they represented. Even the most sensitive Southerner could not charge this advisory group as being tainted with Northern prejudices, while their sense of sectional loyalty could be depended upon not to paint the picture in darker colors than it actually appeared.

For this reason the report submitted by the National Emergency Council on the economic conditions of the South is an outstanding contribution to our knowledge of this part of the United States during our own time.

Within its sixty pages crammed with cold statistics and impartial analyses of the given facts, is contained an indictment of contemporary America more livid than that ever presented by the bluebooks of industrial England a hundred years ago as immortalized in the pages of Marx's Capital.[1] The damning evidence of social, moral, economic and human degradation this report exposes proves beyond the range of controversy that capitalist society has reached the stage of stagnation and decay. Evidence of this decay is more abundant in the South because capitalism there never obtained the firm foothold it acquired in the North, and is quicker to rot where its hold was weakest.

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[1] Published in full by the New York Times upon its release on Aug. 13, 1938. This complete coverage does honor to that great newspaper's sense of journalistic values.

After all, this is still one nation. Now that capitalism is in full retreat where it reached its highest development, some spillage of capitalist enterprise is evident in the South due to the flight of capital to that benighted area. But we shall soon see, as the report discloses, the reasons for this flight were to take advantage of the pitifully low social and labor standards in order to squeeze out a little excess profit while brow-beating labor in the North to accept lower standards of living in the face of such debasing competition. Southern decay had now become an instrument of capitalist policy to hasten indirectly the economic disintegration of the North.

We are not concerned as to whether or not this policy is being consciously pursued, or flows from the inherent urge for lower costs in the cheapest labor market. But the unalterable doom of history is writ upon that society which allows its people to descend from a higher to a lower level of existence. There is no stopping the process once its momentum gains headway. Social revolution or fascism must be the consequence, and the capitalist class, when confronted with the inescapable choice, will grasp at fascism.

In the analysis of this problem lies the secret of the Southern Bourbon ideological alliance with the Republican reactionaries of the North. It is one of the ironies of history—and for those who view contemporary social progress, one of its mysterious blessings—that the hatreds generated by the Civil War still survive in the breasts of the Southern hierarchy to the extent of rendering impossible, at present, political fusion with their modern spiritual affinities, but ancient enemies of their fathers in a bygone historical period.

DISCLOSURE OF THE SOUTH'S STAGNATION

Analysis of the South's population shows that 98% of the thirty-six million persons within its thirteen States derive from early American stock. This shows the highest proportion of native-born than any other region in the United States; and of its population, 71 per cent are white and 29 percent Negro.

The South is a huge crescent embracing 552,000,000 acres from Virginia to Texas. It is endowed with enormous physical resources in soil, stream and subsurface wealth. Yet in spite of its natural wealth it possesses only 16 percent of the tangible national assets as represented by factories, machinery, and the tools with which wealth is created. This percentage would be much less did it not include the capital accessories requisite for oil production, since two-thirds of the nation's crude oil comes from that region.

The report continues to expose in merciless fashion the causes for this economic backwardness. Census data discloses that the South exports to other parts of the country one-fourth of its natural increase in sons and daughters—a fortunate acquisition to the rest of the country—because it is unable to provide a living for them, even on the basis of the low standard that it demands. Of the Southerners born in rural areas only 17,500,000 live in the locality where they were reared, the rest shifting around in the fruitless effort to improve their condition.

Of the 3,000,000 young people who matured into the 15-25 age group between 1930 and 1935 in the rural districts, barely 500,000 took places left open by death; some remained in school; subsistence farms with government help took care of 250,000; while the enormous total of 1,750,000 stayed at home as casual laborers, or as unemployed. The result is that white people are compelled to seek jobs traditionally filled only by Negroes in the South, thereby constricting the field for the latter's employment, and lowering to abysmal levels the standards of both white and Negro workers in the South.

This opens a glorious opportunity for the vaunted enterprise of the North. Capital flows down there where it can be attracted by the bait that whereas the average annual wage for an industrial worker according to a recent survey was $1,219 for the North, in the South it was only $865.

But low wages are not an unmixed blessing for capital. Since even the most highly mechanized production requires a large proportion of skilled to unskilled labor, industries where skilled workers are needed do not flourish in the South because it cannot attract them without payment of bonuses and more than usual wages received for such labor in the North. The reason for this is obvious. The South's educational status is so low that it cannot produce its own technological labor. Well-trained labor is an essential condition for any country, or section within a country where conditions otherwise are less favorable, if it is to hold its own on the basis of a competitive economy.

DIFFERENTIAL BETWEEN THE NORTH AND THE SOUTH

In the South less than one-tenth of the workers are paid more than 52 cents an hour, while more than half of the workers in its mills earn less than 37 cents an hour. We heard a great deal of the injustices of the Wages and Hours Law because it did not make adequate provision for the wage differentials of the North and the South. The word differentials has a pleasing, scientific tone. In reality it is nothing more than a brazen attempt to translate and to justify for the benefit of the employing class a temporal, historical condition into a law of nature.

They think that they can freeze this temporal relation into an absolute condition of industry. No sooner will the capital-labor relations become the normal for the South's economy than they will be faced by class struggles as bitter, if not worse, than any that blur the pages of Northern industrial history. The native American stock will prove to be even more determined fighters than the industrial workers of the North who were so often handicapped by their foreign extraction.

Nevertheless this heaven for the employing class has its drawbacks. The backbone of its manufactures is the cotton industry, while production requiring a higher degree of application and skill cannot flourish in the South. The hours are longer and the pay is less. Low wages and poverty are in great measure self-perpetuating. The taxable property in the South averaged only $463 per person, while in nine Northeastern States it amounted to $1,370. In 1937 the per capita income in the South from dividends and interest was only $17 compared to $69 for the rest of the country. A good deal of the income is siphoned off to the North, but the average for the whole country tells the story in itself.

Low taxable property means small revenues for the Southern States. This reflects itself in an exceptionally low level of popular education. Illiteracy in the South is nine percent, compared to two percent for the North Central States, a miserable enough showing, even in the light of Jim Crow schools. In 1936 the Southern States spent an average of $25 a year per child in schools, which is about half for the country as a whole. At the same time a child enrolled in New York State had $141 spent on its education. In Mississippi there were actually 1,500 school centers without school buildings.

Although Southern teachers compare favorably with teachers elsewhere, the average annual salary for teachers in Arkansas for 1933-4 was $465 compared to $2,361 for New York State for the same year. Between 1933 and 1935 80 percent of the Federal funds appropriated to keep open the rural schools of the nation were spent in the South.

HEALTH LEVEL OF THE SOUTHERN MASSES

Some rural sociologists are impelled by the realities of their educational connections to forget the requirements of their craft. It is they who are heard to debate the abstract question of rural versus urban health. The data is what they should look for, rather than to the becudgelling of each other's heads.

"The low-income belt of the South," says this report in measured tones, "is a belt of sickness, misery and unnecessary death. Its large proportion of low-income citizens are more subject to disease than the people of any similar area. The climate cannot be blamed—the South is as healthful as any section for those who have the necessary care, diet and freedom from occupational disease."

Malaria infects more than 2,000,000 people every year. It is not to be wondered at that this appalling total—which would disgrace a nation of Hottentots, but passes unnoticed here in the United States so full of preachers, philosophers and writers on 100% Americanism—reduces the annual industrial output of the South one-third. There are only one-third as many doctors per capita in South Carolina as there are in California. Hospital facilities are wretched, and public hygiene even worse. Reports of one of the largest insurance companies show that more people in the Southern area than elsewhere die without medical aid.

The scourge of pellagra affects the South almost exclusively. That is not a disease of geography, but of economy. It is due solely to deficiences in diet, and responds to rather simple preventive measures in the shape of nourishing food. In this blessed nation that complains so bitterly about surpluses of everything that grows upon land, fellow Americans suffer disease, become debilitated and die prematurely because of lack of nourishing food; unkempt during their lifetime, and unaided even in making easier for them the final journey before the Judgment Seat. How shall we be judged in our own good time?

Even in Southern cities from 60 to 88 percent of the families of low incomes are spending for food less than enough to purchase an adequate diet. The common diet in the rural South of fatback, corn bread and molasses is not dictated by taste alone. Studies of gainfully employed Southern workers in private industry show that less than two-thirds earn enough to spend on an adequate diet at a minimum cost.

Malnutrition is quite prevalent among the poorer paid wage-workers and lower salaried clerical workers. That this is an economic disease, and not due to sheer ignorance, is proved by the fact that the better paid workers are healthier because they spend more on varied foods. The average per capita of butter consumption is one quarter of that in the cities on the Pacific Coast. An increase in income reflects itself immediately in a disproportionate increase in money spent for varied and nourishing diets.

Families with an annual income of $500 compared to families whose annual income is only $300 spend four times as much for cheese, and twice as much for meat, poultry, fish, tomatoes, and fruit. The extent of the South's underconsumption of these basic foodstuffs can be estimated from the fact that half of the people of the South have an income of less than $300 a year.

Fifty-three percent of the South's farm families are tenants without land of their own. Lest some solid 100% Americans shrug their shoulders as their Unconscious whispers consolingly that they are Negroes, and therefore we are absolved from over-concern about their fate, let it be whispered in the other ear that of the 1,831,000 tenant families about 66 percent are white.

A recent survey of the cotton plantations indicated that the average tenant family received an income of only $73 per person for a year's work. Earnings of share-croppers ranged from $38 to $87 per person annually. Millions of our fellow citizens in prosperous America are doomed to a standard of living which would be considered unbearable among the humblest of Europe's peasantry.

Future generations of Americans will marvel at the callousness of our own times in view of these conditions. It sickens one to think of the ostentation with which we parade our abstract humanitarianism, while humanity in the concrete under our very own eyes is permitted to languish and rot away because of social indifference to their fate. It is so heart-thumping to send a check—a minute fraction of one percent of one's income—to some charitable fund after reading the parade of human misery annually spread before the vulture-eyed in such recurrent appeals as the New York Times Neediest Cases. How any person can read those stories of dumb suffering all the way through without bursting out in rage against the social system is a case for psychoanalytical investigation in perverse morbidity.

Such persons quite naturally consider Roosevelt and his New Deal as revolutionary and its supporters as enemies of society, because they have brought to light in concrete terms the mass of horror and degradation afflicting our fellow humans in the South. It is revolting to continue this narration of so much needless, so much useless suffering among so large a part of our population. Our only justification in spreading these sickening details is the historical merit of this painstaking report upon present conditions in the South which have matured to that point during the decades since the Civil War.

THE ILL-CLAD AND ILL-HOUSED OF THE SOUTH

One can well imagine that where chronic hunger reigns, the money spent on clothing is reduced to the minimum point, and would perhaps reach the vanishing point if virtue, morality and religion were not properly outraged. Twenty dollars a year is all that a low income family can spend for clothing, shoes, wraps and accessories for all its members. Besides, some provision must be made for the needs of the body and the inclemencies of the weather. This brings us to the consideration of housing.

Since houses must be built, and are built to yield an income to their owners under our blessed social system, the most abominable slums in this slum-infested country are to be found in the cities and on the farms of the South. We are all cognizant of the direct relationship between poor housing and poor health, immorality and crime. The average Southern town provides for its poorer workers, white and Negro, rows of wooden houses lacking in improvements which common decency considers necessary, without sanitary facilities and usually without running water. Sometimes city water is supplied to a hydrant in the yard, where also the privies are located. Surface wells are frequent in villages and towns.

Contaminated water and milk is the cause of typhoid found widespread in this section. Twenty-six percent of the Southern city homes are without indoor flush toilets, as compared with only 13 percent for the country as a whole, which latter figure includes both city and town households. Nearly one-fifth of all Southern farm homes have no toilets at all, inside or outside. Where such conditions prevail, there flourishes hookworm, anemia, lassitude and soil pollution.

Over-crowding of these miserable city dwellings is the rule. Their average value is $1500. A study of the working class sections of New Orleans shows a tuberculosis rate twice as high as for the rest of the city. "Houses in the rural South are the oldest, have the lowest value, and have the greatest need of repairs of any farmhouses in the United States."

Of its 3,000,000 farm-houses, 2,500,000 are below standard at a conservative estimate. Only five percent had water piped to the house, and three percent had water piped to the bathroom. The average farm house in the South is worth about $650, while that of the average farm renter's house is worth $350. By a conservative estimate 4,000,000 Southern families, or half its population should be rehoused in accordance with the minimum requirements of civilized living. Those of our American anti-New Dealers who politely break their hearts over the abstract woes of mankind are too enervated to consider the real privations of their fellow citizens living right here under their same flag.

CHEAP LABOR RETARDS THE SOUTH'S DEVELOPMENT

Low wages, the report continues, have helped industry little in the South. Only manufactures where the worker minds the machine, calling forth little initiative and less training, flourishes there. Low purchasing power does not make for consumer business, and retail establishments are fewer, with less gross turn-over than anywhere in the country. Unemployment in the South has not resulted simply from the depression. Both in agriculture and in industry part-time labor prevails, where workers are employed only half the year, or a quarter, and even less. The surplus of farm population remains a constant threat to the wages of the industrial worker, and its level is in a large measure regulated by that threat.

By the working out of the beautiful harmonies inherent in capitalism, it is precisely in those homes where unemployment over a large part of the year prevails, that child labor flourishes. Not content with exploiting and brow-beating adult labor to a standard of living not far above that of sheer animal existence, the Southern aristocracy with their Northern capitalist supporters must vampire-like call upon the labor and sweat, the immature muscles and tender nerves of little children in their lust for extra profits.

Child labor is a curse commonest found in the industries of the South. Low industrial wages for men frequently force upon their children as well as their wives a large part of the burden of family support. In agricultural areas all the members of the family, the venerable sire of seventy with his wife, together with the grandchildren of seven must labor in the fields to eke out their existence. One hundred and eight out of every 1000 children between the ages of 10 and 15 years were employed in the South, compared to forty-seven in the similar age range for the country as a whole.

Labor standards in factories have not been developed, or if such legislation has been enacted it is seldom enforced. Hours of labor for women are fifty a week or over, while the sanitary conditions in the factories are such that their health is prematurely broken down.

Home-work prevails in this land of tears, sorrow and dumb suffering. Women there have the assistance of their little ones in making artificial flowers, sewing buttons on cards, clocking hosiery, embroidering children's hosiery—what consummate irony!—and stuffing and stitching baseballs. Such home-workers toil longer than in factories, though half of them received less than $2.73 for their week's work. And this report is dated as of July 25, 1938 in this blessed land, next to England, the last remaining bulwark of democracy!

THE SOUTH'S GAMBLE ON THE CROP

Cotton and tobacco are the source of two-thirds of the South's cash farm income. The boll weevil can be conquered. Weather hazards cancel themselves out. But the cotton farmer cannot escape the consequences of capitalist economy in agriculture.

Two million families stake their year's work and everything they own on the cotton crop. "No other similar area in the world gambles its welfare and the destinies of so many people on a single crop market year after year. The gamble is not a good one." The report points out the extreme variations in prices, where in the brief space of four years the farmer received from 20 cents to 6 cents a pound for his crop.

The limitations imposed upon the national Emergency Council and their Advisory Committee of Southern representative leaders impel them to urge the academic solution of crop diversification. If more cotton farmers will grow wheat, corn and raise cattle, that, of course, will solve the situation for the rest of the surplus-ridden corn, wheat and cattle growers! It pre-supposes a system of agriculture for living, instead of living by agriculture.

Specialization is the inevitable result of capitalism on the farm. The subsistence farm method advocated by Ligutti and Rawe,[2] even if it were socially desirable—which it is not for the high standards of civilization envisaged by our American mode of life—is rendered impossible by the operation of the stern economic laws which regulate the methods of modern agriculture.

The cotton farmer cannot diversify his crops, because the financial requirements of his condition prevent him from doing so, even if he were so minded. A cash crop must be raised. Mortgage payments must be met, merchants extending credit must be paid, the usurious rates of interest are all exacted in terms of a cash crop. Land-owners must put their fields to cotton in order to meet their own cash obliga-

[2] Rural Roads to Security—Ligutti and Rawe (1940), p. 307.

tions. Diversification has been found difficult because landlord and tenant usually have not been able to find a workable method of financing, producing, and sharing the return from such crops as garden truck, pigs, and dairy products.

Consequently the region having more than half of the nation's farm population raises less than one-third of the nation's pigs and cattle, one-fifth of the country's eggs, milk and butter, one-eighth of its potatoes, and one-twelfth of its oats. The South must either obtain these commodities from other markets or do without them. We have seen that the great majority do without a normal supply of the ordinary foods of our civilization's requirements. Many common vegetables are rarities in the South, and the data on health has shown how widespread is malnutrition and other ailments resulting from dietary deficiencies.

RELATION BETWEEN THE ECONOMY AND THE METHODS OF AGRICULTURE

That agriculture is ruled by economics and not by common sense; nay, that the particular nature of common sense in agriculture is a mode of manifestation of the economic laws that rules its operations and its history, is evidenced by the historical evolution of the South's agricultural relations.

Tenant farming and share-cropping was the result of the breaking up of the slave plantations after the Civil War. Necessarily these groups form the most unstable part of its population. More than a third of them move every year, and only a small portion of them stay long enough to carry out a five-year crop rotation program. Under the traditional tenure system, tenants are hired like workers, and like them have no lease or written agreement. Less than 2 percent of the tenants have written leases to assure them of a tenure extending over one year. "Under these circumstances the tenant has no incentive to protect the soil, plant cover crops or keep buildings in repair. On the contrary, he has every reason to mine the soil for every possible penny of immediate cash return."

The majority of Southern tenant farmers must depend for credit on their landlords or the merchant who supplies seed, food and fertilizer. These advances generally do away with the need for currency. As security, the landlord or merchant takes a lien on the entire crop which must be turned over to him immediately after harvest in settlement of the debt. Since he also is the sole keeper of accounts, and interest rates are high, averaging about 20 percent in this enlightened day and age, it is no wonder that often after a year's hard work by the entire tenant's family, he finds himself at the end still in debt.

The planters and merchants are not necessarily oppressive, since the highly speculative value of the cotton and tobacco crops just as frequently find both of them also in debt after a year's operations. Toiling farmer, land-owner, merchant, commission house, all are ensnared in the web of an economic system which compels them to repeat in treadmill fashion the same processes in this swamp of stagnation.

Eighty years ago Marx analyzed with the weapons science put at his command the laws of capitalist agricultural economy here portrayed in their actual results, and concluded with the prophetic words "that the capitalist system works against a rational agriculture; that a rational agriculture is irreconcilable with the capitalist system, although technical improvements in agriculture are promoted by capitalism." [3]

Marx, of course, is persona non grata even among scientists who are otherwise cognizant of the incompatibility between prejudice and the scientific method. Nevertheles, William J. Blake, banker, economist and one time associate editor of the Magazine of Wall Street has emancipated himself sufficiently from the prejudices of his associates to assume the intellectual dignity of his science. The result is an extraordinarily perspicacious discussion of the agricultural problem as it pertains to the United States.[4]

The National Resources Committee is frank to admit that tractors, gang-plows, and other implements of modern agriculture have not played a more important role in the Cotton Belt because the labor of millions of workers—men, women and children, white and Negro—is required for the picking season. Since the cheap labor is there, the cotton producer uses it as much as possible throughout the year rather than purchase expensive machinery." [5] Rational agriculture and capitalism have become incompatible in the degraded, sweated labor of the South.

FAILURE OF THE "NEW SOUTH" MOVEMENT

Despite the low wages and higher profits of the manufacturing industries now installed in the South, the mass of profits is small be-

[3] Capital—Marx, Vol. III, p. 144.
[4] An American Looks at Karl Marx—Blake (1939), pp. 323-33.
[5] Technological Trends—U. S. Report, 1937, p. 141.

cause of the insufficient capital attracted there by the untoward circumstances which inhibit production requiring a higher type of labor.

For many years there has been a strong movement for a "New South" predicated upon a balanced industrial and agricultural economy. Meager facilities exist in the South for research that might lead to the development of new industries especially adapted to the South's resources. On the whole, this movement has met with little success. The South for all practical purposes is an economic colony of the North, and only those known resources are developed by Northern capital that fit into the picture of its requirements.

Recently the uses of Southern pines for wood pulp have been developed. In January 1938 the South had thirty-eight pulp mills built or being built with a total investment of $200,000,000. But while new industries are being introduced, old ones languish and disappear. The fact remains that the initiative for such development comes from outside its section, and is governed by factors not under its control. Consequently industrial progress is hampered by lack of sufficient capital. The South has had to depend upon Northern resources, with the result that financiers reap the richest harvest in the form of interest and dividends.

Although the region contains 28 percent of the country's population, its banks in July 1937 held less than 11 percent of the nation's bank deposits. Savings deposits were less than 6 percent of the national total. Southern investment banking firms managed only the insignificant part of 0.07 percent of the capital issues offered for sale between July 1, 1936 and June 1, 1938; and it is the investment bankers who find the money for virtually all important industries.

Rates of interest for public securities of Southern government divisions are the highest in the country, while the usurious rates on private loans are the best indication that its economy is geared to the standards met with by industrial capitalism during its infancy centuries ago in England, and a hundred and twenty years ago in the Northern section of the United States. Compared to the South, the rest of the country is anywhere from fifty to a hundred years ahead in its economic development, and centuries ahead in its social progress.

BACKWARDNESS OF THE SOUTH'S IDEOLOGY

It is characteristic of the New York Times that its journalistic sense of values should have impelled it to publish in full the report of the National Emergency Council. It is equally characteristic that its editorial comment should reflect the uncomprehending smugness of the class for whom it speaks.

Out of all this mass of dull misery, active suffering and hopeless frustration which grips so large a proportion of our population, the Times could extract from that report but a single homily, and that, too, primarily in the interests of that segment of finance capital for whom it acts as an eloquent mouthpiece. The report contained a criticism of the dominant national tariff policy which forced the South for generations to buy in a highly protected market while it must sell cotton at prices determined by the world market. In effect, the report contends, the South has been caught in a vise that has kept it from moving along with the main current of American life.

Our analysis has disproved this contention completely. The South's "peculiar institution" was the source of its original prosperity, but with the establishment of commercial and industrial capitalism as the dominant economic power in the nation that institution was the primary cause of its subsequent stagnation, downfall, and current decay in a throbbing capitalist economy.

The protective tariff principle applies as well to the South as to the industrial North; but the difficulty remained in the fact that the South had precious little outside of its peculiar institution and its prejudices to protect. The sickliest and poorest white Southerner can still strut around the superior of any black man in his particular world, and perhaps that comforting thought assuages the pain of all the rest of his miserable existence. However, the Times is quick to seize upon that so minor point in the Committee's fulsome report to preach a homily for the reduction of the existing high tariffs, in order to make possible the export of goods by foreign debtors in settlement of their obligations to American creditors who hold their bonds and other evidences of debt.

Thus by the subtle art of editorial legerdemain the appalling consequences of the South's social deterioration is put to the uses of international finance capital. Such is the law of compensation, but in an application undreamed of by Emerson.

A BRIGHT SOCIAL NOTE TO RELIEVE THE SOUTH'S MONOTONY

It will also relieve the monotony of this unpleasant picture of Southern life to read how the social elite, for whose purposes the entire social structure revolves, spend the money others produce by the unrequited labor that makes their leisure possible. The original accumulators of a fortune are ready to justify their worst abominations by pleading the necessity of private enterprise to build up the country, and to provide for one's dependents to the second and third generations, so that they may carry the name honorably, and usefully to themselves and to society. Upon that principle is based the sanctity of private mass fortunes no matter how acquired, and regardless by what methods it is sustained, nor how injurious to the nation are the social consequences of its uses.

The New York Times Magazine tells in a moving article how rigorous are life's demands upon another section of society occasionally sojourning at Palm Beach in this blessed Sunny South where, too, the day is regulated to the minute for these worthy scions of the Lords of Creation. Their "affairs run on a schedule like a railroad time-table—perhaps a railroad background has something to do with it. Breakfast at the swimming pool, then swimming, then tennis, then more swimming. No more than a half hour is allowed for luncheon, and after luncheon the bridge game begins. At 7.15 or 7.30 the game is broken up and the guests dress for dinner. Dinner begins at 8.30, and according to one guest, at least, it lasts just twelve minutes. It is an interim between bridge games, so there is less time for it than for the half-hour luncheon." [6]

Such is the unfortunate existence of Harold S. Vanderbilt and his associates in Florida. The Southern mother toiling with her children ten hours a day and more sewing buttons on cards for less than $2.73 a week can find some comfort to assuage her suffering by contemplating upon the sad fate of Vanderbilt and his kind who are the blue-blood and glory of the civilization that her labor, and the labor of her children's little fingers, and the labor of the bent, diseased bodies of millions of others, helps to create and support.

THE INESCAPABLE QUESTION OF THE NEGRO

No discussion of the South would be complete without touching upon the omnipresent problem of the relations between the races. It is so easy to moralize and to generalize. The race question does not exist because of the diabolical planning of the capitalist exploiters, as the soap-boxer contends with greater earnestness than knowledge. The feeling of racial superiority is not a biological, but a social by-product.

One has but to observe children at play to see how totally unconscious they are of any racial distinctions. Such consciousness comes only when they are old enough to imbibe the prejudices of

[6] The New York Times Magazine, Aug. 18, 1940.

those who imbibed the very same prejudices similarly before them. Any one who has watched white and Negro longshoremen at work on a New York dock for a stevedore boss intent upon making every moment count will see that both races toil side by side without any consideration other than the immediate task which engrosses them.

The stagnation of Southern economy reflects itself in the stagnation of Southern life, which breeds in its noxious swamp the rank weeds of racial oppression. The humblest white man, denied almost everything else that life considers worthwhile, still is conscious of an immeasurable superiority over the Negro whom he matches in all save the color of his skin. "Labor cannot emancipate itself in the white skin where in the black it is branded," were the stirring words of Marx.[7]

If labor in farm and factory of the South ever reaches to that state of class consciousness, the race problem will have been automatically solved. But there is little prospect of that desirable goal being reached in the manner Marx envisaged in the terms of the class struggle dialectic which he applied mechanically and without full knowledge to the unfolding democracy of the United States.

For him American democracy was a sham to disguise the class nature of the bourgeois state. To us, the American Revolution in 1775 brought into existence a new form of state organization whose essential democratic basis has been solidified during the passing years, spreading out the tentacles of actual state power to ever larger masses of our population until today we have a genuine political democracy which substantially reflects the present hopes, the desires and the aspirations of the masses of our people.

If the powers of state are exercised to a large extent in support of the existing social system with all its inequalities, injustices and inhumanities, it is because, by and large, this accords with the ideological reactions of the vast majority. Basically, it is a matter of enlightenment, of education, of a higher standard of culture and a broader social outlook. We are, perhaps, as much aware as anyone else of the difficulties in the way for such an advancement. But, after all, they are only difficulties, and not inherent infirmities of our race.

If only our quondam liberals, progressives, radicals, revolutionaries, and so-called humanitarians in general were acquainted with the laws of social motion as they function in the United States, by far the most difficult obstacle to the goal of human betterment will have been removed. Such betterment in our democracy is utterly in the hands of the American people. So long as this democracy exists, the people are the ultimate repository of state power. It is only the dominant ideology created by, for and in the interests of the small coterie who constitute the capitalist class—that small group within the higher income brackets who obtain their revenue solely because of their formal relations as owners of the means of production, or as their principal agents—that made the majority of our people acquiesce to the conditions above described as the result of the will of God, or at least of the laws of nature.

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[7] Capital—Marx, Vol. I, p. 329.

One of the most damning consequences of the dominant ideology in the Christian South is the recurrent lynching of Negroes. It is a form of emotional outlet for all classes of the population. The man of substance as well as the propertyless white, the dainty females of the rich and the not so dainty but still the females of the poor, not forgetting their children, all follow in the exhilarating hunt when it is started, and enjoy the stimulating consequences of the chase if it is successful.

Between 1889 and 1929 there were officially recorded no less than 3,696 lynchings.[8] Of the 254 lynched during the years 1921-29 few of the man-hunters were brought to trial, and those who were thus inconvenienced invariably received the most courteous treatment of the prosecuting officers and lenient consideration of the court. In short, few are prosecuted and none condemned.

Political considerations account for the indifference of peace officers. The commonest plea in defense of the noble sport is that unless Negroes were lynched no white woman would be safe.[9] The fact remains that Negroes are most safe where they are most numerous, as in the Old Black Belt, and that lynchings are rarest in sparse agricultural areas.[10]

Nominal opposition to lynching is voiced by leaders of Southern society in the same ritualistic manner as the Lord's Prayer is recited, and with the same influence on matters of their everyday existence. The enlightened Southern press dutifully denounces lynching, but the nearer these events occur the less vigorous is the denunciation, until, by the time it strikes home positive justification is discovered to palliate the local deed.

It is from the South, in the blessed name of States Rights, that most vigorous opposition is voiced against any Federal measures being taken to curb these offenses that disgrace the American people in the eyes of the world. Then the stalwart representatives of this region in the United States Senate rise from their seats and express their determination to filibuster until hell freezes over before they will

[8] The Tragedy of Lynching—Arthur F. Raper (1933), p. 36.

[9] Ibid., p. 20.

[10] Ibid., pp. 27-8.

permit this ungodly remedial legislation to reach the stage of a roll-call.

Such are the exacerbations of the democratic processes which must be borne patiently in view of its other blessings. Fortunately there is now, and has been for some time, a lull in the noble sport of hunting, tracking down, maltreating and roasting Negroes. But one never knows when the urge will break out again to vindicate once more the honor of the white race in Southern regions where he most abounds.

CHAPTER XXVIII

Law of Population

APPROACHING STABILIZATION IN POPULATION

During the 1930's the people of the United States, without exception as to class, experienced the effects of the pall of depression which characterized this gloomy decade. But long before the crisis came to a head toward the end of 1929, there were unmistakable evidences of the regressive forces which limit the growth of a society predicated upon the capitalist mode of production.

We have seen the leaders of industrial and finance capital hopelessly enmeshed in the consequences of their own economy, watching their grandiose enterprises topple about them, and imploring the government for relief. We have noted the results of the depression upon the working masses of our industrial population and upon our farming population. In the course of our discussion we have remarked upon and illustrated from the record of history that every mode of production has its own distinctive law of population. We have now to point out that every period in an historical epoch based upon a given mode of production had its own variants of the same law of population.

It is a common argument among those who believe that this is the best possible of all worlds that those who would like to change it have lost faith in America and her institutions, and they point with pride to the long, upward struggle of the young Republic to its present pre-eminent position among the family of nations. We, too, glory in that tradition, and in that achievement, and together with our fellow-Americans join in this never-ending struggle for an even more glorious fulfillment of America's long-standing promise to the world.

Upon the occasion of the death of a great automobile manufacturer, Walter P. Chrysler, the New York Times pointed to his career as a self-made man in an industry he helped to pioneer, and with that as a text asked whether capitalism had come to the end of the line because it has exhausted all new methods and new inventions.

No, we do not assume that all technical progress has already been made, and that mankind has nothing new to expect in the future. What we do contend is that capitalist economy has reached the point where it has ceased to be a progressive force in society; that monopoly and finance capitalism inhibit improvements that do not pay, and that the basis of such computation today is upon the effects a new improvement will have on the already existing capital plant; that the highest development of capitalism during its competitive phase was that very form of capital organization which now acts as a drag upon further progress.

The Times sneers that "by attributing the depression to 'maturity' it forces us to believe that the country must have matured very suddenly at about October, 1929." [1] We do not begrudge an editor the opportunity for turning a point to win an argument, but cleverness in debate does not advance the solution of a problem. Something may happen during the life of an individual as of a nation that suddenly makes it aware of its maturity; a condition which, of course, was not produced by the same lightning stroke, but only brought out more strikingly in the view of all.

Leaving metaphysical abstractions to those who enjoy them, there is a definite tell-tale which proves when a nation has reached its maturity along a definite line of development. That is when its population ceases to grow. Upon the surface, it appears absurd to argue that a nation's maturity is to be judged by the size of its population. But no such argument is advanced. If mere numbers were all that mattered, then Java with its fifty million people on a crowded island ought to rank at least with its dominant country on the basis of maturity. China, India, and Asia in general outside of Siberia ought to rank among the leaders of contemporary civilization. Our proposition which we propose to demonstrate is confined particularly to the United States, and obliquely to other Western European nations where the capitalist mode of production predominates in a highly developed state.

These capitalist nations rank among the Great Powers of the world and exercise a dominant influence over colonial and semicolonial peoples. Since the internal laws of capitalist economy compel a retardation of population as the nation where it obtains approaches maturity, the same general effect must eventually be exerted upon the subject peoples of the imperialist powers.

We desire to make the issue perfectly clear so that there can be no evasion. A large population is no blessing in itself; many of the world's most populous nations rank among its poorest. Nor do we indulge in the preachment that larger families are necessarily a condition precedent to national well-being; all the totalitarian nations—Germany, Italy and Japan—are engaged in an active campaign for more babies, taking care to provide subsidies for their birth and guns for their maturity.

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[1] New York Times August 20, 1940.

Our thesis is this: Wherever the capitalist mode of production prevails today, the economic conditions it creates inhibits the raising of large families for the simple reason that it cannot provide for them a decent opportunity to realize the fullness of its possibilities even to the extent of permanent employment.

To put it frankly, parents find it difficult to support their children without impinging upon that standard of life which they desire to attain for themselves, and therefore adopt measures for their limitation. The more educated the people, the higher their standard of living, the more they are emancipated from the moral preachments of the church, the fewer are their children. As for the very rich, children always were a bore and much of a nuisance. Since few of them ever amount to anything, and seldom produce what is theirs by the canons of law and custom, we can leave them altogether out of present consideration.

UNIVERSAL SLOWING DOWN OF POPULATION GROWTH

Recently the League of Nations Statistical Year Book for 1938-9 published the results of their study on population trends.[2] While population is slowly increasing for the world, this is due rather to a decrease in the mortality rates in the face of declining birth rates in almost every country of the world.

Germany despite the urgings of her Fuehrer, with cash allotments to boot, showed a birth rate of 27 per 1000 in 1911-13, but only 14.7 per 1000 in 1933. After considerable Nazi campaigning the rate was increased to 19.7 per 1000 in 1938. In Italy the figures are 31.7 per 1000 in 1911-3, and 23.6 per 1000 in 1938. For Japan where capitalism has made enormous strides during the past twenty-five years, the statistics reflect a conflict of considerable intensity between the supporters of ancient feudalism who yearn for more cannon fodder, and the social reactions created by the inhibiting influence upon population exerted by modern capitalism. Yet even there, despite the cult of the family, the birth rate declined from 34.9 per 1000 in 1911-13 to 30.6 per 1000 in 1938.

[2] An abstract of this report appeared in the New York Times, July 23, 1939.

As for the United States the birth rate had dropped from 25.1 per 1000 in 1911-13 to 17.9 in 1938; in England, from 24.3 to 15.5; and France from 18.1 to 14.6. We have heard much talk about France's declining population, but the figures show that England, too, is now a declining nation; while the United States is rapidly approaching the peak of its numbers, from whence, according to the projection into the future of the same influences now operating, the replacements will no longer be able to keep abreast of the mortalities.

In a report made public by the National Resources Planning Board, the population will reach its maximum of 158,000,000 by 1980, and after remaining stationary for a few years will begin to decline.[3] We will show in the course of this discussion that these experts are mistaken, not in the projection of their charts, but in their assumption that the factors now operating upon which their calculation are based will continue unchanged and substantially in the same direction for the next forty years.

It will be our aim to prove that long before that time the course of social evolution will be profoundly affected by the operation of calculable forces now in existence, and that the population of the United States will receive an impetus which will increase our present numbers manifold before these new forces will again attain an equilibrium, based upon the extent of our own and the world's resources, and coupled with the dominant ideologies of a new civilization developed on a socialized mode of production.

This is a noble thesis, provided it can be sustained on a scientific basis. In order to do this, we must approach the subject of population historically as it affects the United States.

THE LAW OF POPULATION VARIES WITH THE PERIOD IN HISTORY

Students of our colonial history are impressed with the enormous fecundity which blessed not only their fields but their fireside. Population doubled every eighteen or twenty years despite the high mortality rate, especially high among infants. This increase was to a large extent natural, for after the initial colonization in the seventeenth century immigration played a minor role in the increase of its numbers.

After the first census was taken among the inhabitants of the young Republic, every other count up to 1860 showed an unbroken trend tending to a doubling of the population about every twenty-five years. Again, this was due almost wholly to a natural increase.

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[3] Published in New York Times, July 29, 1940.

Immigration during the first fifty years of our history was a negligible factor in such growth, while everything depended upon the bubbling energy of an agricultural people having spread before their eyes the untold riches of a fertile soil to be had practically for the asking. The real stream of immigration did not begin to flow until after the Civil War. By that time the main body of the American people had been knit, its characteristics firmly developed, and the foreign element either isolated in colonies or assimilated into it, especially with the second and succeeding generations.

Of course, no one expected this phenomenal increase to continue indefinitely. There was a limit to the frontier, and that limit was reached during the 1890's. But around this time the United States was embarked upon its phenomenal industrial development. From the leading agricultural country in the world we became the leader in industrial output.

Soon the number of people gainfully employed in the factories, the mines and railroads of the nation far outnumbered those on its verdant fields. The requirements of industrial production led to vast accumulations of capital, the greater concentration of materials and labor-power with tremendously enhanced capacities for the creation of greater values spread over a large number of individually cheaper commodities.

This great concentration of the means of production and centralization of capital resources led to profound internal changes evidenced first in the predominance of the industrial economy over the agricultural economy, then in the passage of political power into the hands of the capitalist class by the manipulation of the democratic processes. Finally the entire country, both farmers and laborers, were brought under the aegis of the economic laws which distinguish the modern capitalist economy from the agricultural economy prevailing in our history from the time of the Founding Fathers to the defeat of the Populist-Bryan movement in 1896.

SPECULATIVE THOUGHT ON OUR ULTIMATE GROWTH

Every age produces those who speculate upon the law of population, which they project forward from their historically-limited standpoint as an absolute law of existence. James Madison writing over a hundred years ago predicted that the population of the United States would be 192,000,000 by 1930.[4] His calculation was based upon the limited quantity of agricultural land to go around, and even then he pondered upon the dangers to the Republic in the existence of a large landless class which had no property stake in the welfare of the country. In his time, speaking from the viewpoint of a statesman whose country was eighty-five percent agricultural, he could well view with apprehension the future when on a democratic basis of suffrage the property-less would outnumber those who possessed the ultimate source of all wealth.

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[4] America in Midpassage—Beard, p. 936.

Henry Adams, whose graceful history of the United States covering Jefferson's and Madison's Administrations is an imperishable contribution to our literature, exercised the prerogative of an historian who is concerned upon the future of his country. He, too, had his notions upon the prospective numbers of the American people. But writing toward the end of the nineteenth century, as Madison did at its beginning, Adams had the advantage of living at a period when industrial capitalism was in the full vigor of its expanding energies. Consequently he envisaged a homogeneous society of some three or four hundred million persons, under conditions of undisturbed growth.[5]

Toward the close of that noble work, Adams permits himself the luxury of soliloquizing upon the future in the manner of the classical historian: "The traits of American character were fixed; the rate of physical and economic growth was established; and history, certain that at a given distance of time the Union would contain so many millions of people, with wealth valued at so many millions of dollars, became thenceforward chiefly concerned to know what kind of people these millions were to be." [6]

Commager comments on this passage with the remark that Adams closes his work not with dogmatic conclusions, but with a series of questions.[7] This modern writer seems to be wholly unaware that a host of dogmatic conclusions are contained in Adams' historical premises.

What are these fixed traits of American character to which Adams refers? We have already observed that during the 1930's a profound transformation took place in the political thinking of the American people which is slowly but surely tending toward a re-orientation of their social philosophy. We have endeavored to establish the character of the social forces, their nature and their origin, which were responsible for this tremendous change.

At this late date it is unnecessary to comment upon the reality of this evolution in our history, and the new historical situation which classical thinkers could not possibly envisage. One of the great newspapers of the Middle West, the Cleveland Plain Dealer, departed from its century-old tradition of supporting only Democratic candidates for President by stating that Mr. Roosevelt's aims are radical in its nature. "The only possible outcome of his policies," the newspaper warns, "is State socialism, followed inevitably by some form of fascism." [8]

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[5] History of the United States—Henry Adams, Vol. IX, p. 222.

[6] Ibid., Vol. IX, p. 241.

[7] Ibid., Introduction by Commager, p. 18, Vol. I, History of the United States, by Adams.

This is no place to consider how little the learned editor knows of modern Socialism, but there is no denying the fact that the smooth evolution of the nation as envisaged by Madison during the agricultural period, and by Adams during the industrial period, has not materialized in the goal they projected for this nation. In short, the laws of social evolution do not proceed in a straight line from point to point in accordance with the classical conception of physics.

STATISTICAL PLOTTERS OF AMERICAN POPULATION

It would be interesting to study the chart from which Adams plotted the ultimate growth of the United States in population, in wealth, and the dull uniformity of its society, its ideals, and its aspirations. The usual method of procedure is that used by the statisticians of social phenomena. Given the variable rate of growth over a long period of time, the extent of resources, the annual or decennial increment to our wealth and numbers, and so, presto!, at a given future time this will be the result.

Unfortunately matters do not work out the way these mathematical historians expect. The reason for this failure lies in the basic assumptions with which they begin. They do not realize that the historical elements that entered into the formation of the factors with which they operate are limited in character, and are themselves the product of definite historical conditions. When these conditions change the factors no longer operate in the same manner as originally conceived.

This accounts for the enormous discrepancy between the various projections concerning the wealth, population and characteristics of a people. Neither Madison nor Adams could conceive of the time when a large percentage of New York City youth who reached maturity in depression years were likely to become unemployable, and that, in fact, half of them looking for work would be unable to find it in peacetime pursuits.[9] This does not mean that the statistical method of social prediction is inherently unsound. On the contrary, it serves an exceptionally useful, but still a limited social purpose.

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[8] Dispatch printed in New York Times, Aug. 20, 1940.

DEFECTS OF MATHEMATICAL EXTRA-POLATION IN SOCIAL PHENOMENA

The student of society must never forget that it is the underlying social forces which produce the phenomena recorded by statistics and not the other way around. The fault lies in endowing statistical laws with self-operating functions, instead of these statistics being merely the mirror, and not the creator, of reality.

The Marxian school has made the only consistent contribution to the role of mathematical extra-polation as applied to social phenomena. They are careful to point out that the theoretical conclusions of the mathematical method must always be referred to, and should be constantly modified by, the realities of life as they actually are determined by the established methods for their verification.[10]

Modern scientific theory as exemplified by relativity and quantum mechanics is a remarkable example of the power of the method of mathematical extra-polation. In the hands of Einstein and Planck who are realists fundamentally, this method has added vast stores to the fund of human knowledge. In the hands of Jeans and Eddington who are idealists, this method has tended toward the bedevilment of the intellect with the queerest of notions. Obviously there is nothing wrong in the method itself, but rather in its employment and the recognition of its limitations. For this reason, only the extra-polation of historical tendencies within the limitations imposed by the Historical Field Theory, are bound to bear a reasonably consistent relation to the events themselves as they will unfold during the years of the present period of our national existence.

Every social philosopher must come ultimately to the consideration of the law of population as it applies to the time about which he writes. It had been known for some time that the population of our great American industrial centers had become stationary, if not regressive. The results of the recent census as they are being gradually made known establish how far this process has proceeded.

Let it be clearly stated that an increasing population does not necessarily indicate a progressive society, nor conversely, that a stationary or declining population is positive indication of social decadence. We are not speaking of population in general, divorced from all relation with time and space. We are speaking specifically of the population of the United States in the year 1940. We are analyzing the status of its human material in connection with its known resources and its established economy, and we are engaged upon an inquest into the factors which inhibit the increase of its numbers in view of our abounding material wealth, of our productive agriculture and our amazing technological development, all of which are adequate to support on a high standard of living a population easily as great as that contemplated by Henry Adams.

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[9] Study made public by the Research Bureau of the Welfare Council of New York City, in New York Times, Aug. 20, 1940.

[10] Marxism and Modern Thought—Bukharin; article by Vavilov (1935), p. 187.

We want to know why such cities as Philadelphia, Boston, Cleveland, Pittsburgh, St. Louis, Newark, San Francisco and Rochester have actually fallen behind the 1930 figures in the 1940 count; while Chicago, Detroit, Cincinnati, Kansas City, Seattle and Indianapolis have barely held their own. Even the great metropolis of New York experienced an ominous decline in its already halting rate of growth. It is futile to offer such excuses as the stoppage of immigration, the lower birth rate, the decentralization of industry due to the gradual substitution of electricity for steam as the prime mover of machinery. All this is merely describing a phenomena, but it does not explain it. For the only rational explanation consists in the definite establishment of the social forces which brought these facts into existence.

We have already shown that our normal productive plant in 1940 had not reached the 1929 level in spite of the rush of war orders. On the other hand, we have shown that for the first time in almost a century the tendency of population is from the city to the farm, thereby reversing a process of momentous significance to the country both when it started, and now that it has stopped. We have observed that the rural birth-rate is definitely higher than that of the cities, and that the surplus population on the farm, rendered the greater by technological advancement in agricultural methods, must now remain there since avenues for their absorption in peacetime pursuits have been definitely closed in the manufacturing centers, except for the blessed advent of war production. We have considered the plight of agriculture and the increasing pauperization of the farming population, slowly being crushed down to lower levels of living by the very surpluses they produce.

We cannot, in view of these facts, indulge in pious, platitudinous well-wishing, like Lyon and his associates, when they speak of "the larger problem of how government can deal in its relationships with the several industries in such a way as to develop the highest standards of living through the fullest utilization of our total labor force with our total natural resources and accumulated capital."[11]

These writers have failed to establish that only government, and not normal private industry is competent to bring about this fullest utilization of our material and human resources. They have failed, not because they do not believe that government is the only agency able to bring about this much-desired result, but because the impersonality of scientific investigation is carried out to the absurd extent of an artificial impartiality imposed by their personal bread-and-butter relations to the colorless statement of what should be ineluctible conclusions drawn from the facts they themselves adduce. They cannot admit that government organized on the basis of the existing dominant mode of production is helpless to function effectively and affirmatively in face of this grave social problem.

How the Brookings Institution, under whose auspices their splendid work was acomplished, can achieve its stated objective "to aid constructively in the development of sound national policies," when its scholars must hide within the interstices of their work the conclusions they fain would proclaim, is one of the understandable mysteries attached to the results of the activities of endowed institutions.

CONTEMPORARY THOUGHT ON EVIDENCE OF SOCIAL STAGNATION

One of the astonishing facts of contemporary life is the utter equanimity with which the leaders of thought viewed the ubiquitous evidence of social stagnation and disintegration about them. Such complacency on the part of the ruling class was not confined to the United States, nor to modern times. A long time ago, the head of the state in France, Louis XV viewed such evidence of decay with that apogee of complacency: "After me, the deluge."

So at the time when Britain was engaged in a life-and-death struggle for the maintenance of its national life and of the existing capitalist-imperialist system, it had found itself so deeply immersed in its economic contradictions, that in the midst of its great war effort, there was an actual rise in the number of British unemployed from mid-June to mid-July of 1940 amounting to 60,431. It is a fact that during the first eleven months of the present war the British unemployed has at no time fallen below 766,835,[12] while the Times hails as a distinct achievement its decline to 705,279 in 1941. As the war develops in intensity doubtless they will all be absorbed; but not even the most brazen apologist will pretend that it will be in constructive labor, though eminently necessary.

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[11] Government and Economic Life—Lyon et al. (1940), Vol. II, p. 947.

[12] Data in editorial of New York Times, Aug. 12, 1940; also in New York Times, Jan. 9, 1941.

Even in its own defense, capitalist economy cannot escape the sheer operation of its own laws. Needless to say, there are no unemployed in the totalitarian countries, for the problem of profit-making there is subsidiary to their military program. For our part, the whole purpose of this work would be lost did we not establish conclusively, first the fact of social stagnation; second the cause; and third, the remedy for these consequences, which are now within our means, toward an expanding, socially creative economy.

MALTHUS, ADAM SMITH AND RICARDO PROPOUND THEIR LAWS OF POPULATION

Malthus promulgated the final form of his famous law of population in the same year that the United States acquired from France the enormous area comprised within the Louisiana Purchase. The essential principle of that so-called law was that population tends to increase in geometric ratio whereas the means of subsistence can increase only in arithmetical ratio, thereby tending to stabilize world population at the point where the two lines cross.

The furor created in the intellectual world by that declaration was due probably not so much to its intrinsic merit, of which few could judge, as to the euphonious, musical ring of that phrase which sounds like a self-evident axiom upon its statement. Surely it possessed no scientific merit. For of all patent facts, none is more obvious than that scientific advances have increased the capacity for producing the means of subsistence far in excess of the social capacity to absorb them on the basis of the capitalist mode of production.

Poor Malthus must be tired by this time turning in his grave at the strange consequences of social evolution; namely, that population tends to become stagnant and then decrease for precisely the reason that too much is produced, that foods cannot be sold despite the chronic hunger of the majority of the human race, and that involuntary unemployment is created because of the earth's fecundity, and as a consequence there must now be limited the fecundity of the human species.

To make matters worse for the Malthusian law, it is exactly in the United States where the perverse operation of this principle is observed; for it is the common complaint of people who like to talk in broad, humanitarian generalities that this country possesses all the essentials in natural, material, and human equipment to provide an abundant life for a population many times its present numbers.

Some thirty years after Malthus' famous Essay on Population appeared in its final form a certain Michael Thomas Sadler, feeling the urge for saying something original but unable to think of something original to say, fell upon the usual recourse of dressing up old ideas in new clothing, and so promulgated the idea that prolificness of human beings, otherwise similarly circumstanced, varies inversely as their numbers. As so often happens with such slip-shod stuff, both the ideas and the manner of their statement is a mass of contradictions, as Macaulay demonstrated in one of his pungent essays.[13] Fecundity and survival are not synonymous, nor is geometric progression a blood relative of mathematical inverse variation.

Adam Smith once advanced the peculiar notion that agricultural countries are bound to grow more rapidly in wealth and population than industrial countries. So enamored was he of this idea that he warned that "were the Americans, either by combination or by any other sort of violence, to stop the importation of European manufactures, and, by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, divert any considerable part of their capital into this employment, they would retard instead of accelerating the further increase in the value of their annual produce, and would obstruct instead of promoting the progress of their country towards real weath and greatness." [14] And then he points significantly to the example of Spain and Portugal that were thriving manufacturing countries until trade monopolies, by creating a large parasitic class encompassed the economic, political and social ruin of both countries, once so great.[15]

This famous case of special pleading for the developing manufactures of England disguised also the cause of her phenomenal rise in wealth and population on the basis of her industrial progress. In modern capitalist economy, those nations are rich and powerful that predicated their economy on an industrial basis. The United States did exactly that very thing, and her thriving numbers during the heyday of its progress were due to the very industrialism and the protective policy against which Smith cautioned us so solicitously.

David Ricardo also erred by promulgating a law of population without establishing its historical limitation. Thus, he argues that

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[13] Sadler's Law of Population—Macaulay's Miscellaneous Works, Vol. I, pp. 499-507.

[14] Wealth of Nations—Smith, pp. 347-8.

[15] Ibid., p. 575.

"population regulates itself by the funds which are to employ it, and therefore always increases or diminishes with the increase or diminution of capital." [16] If by the capital funds he means that actually spent in the purchase of labor power, Ricardo tells us nothing new that the less thus spent, the price of necessities remaining equal, the less mouths can be fed. But that does not explain first the abounding population of a country experiencing capitalist development during the nineteenth century; and secondly, the recurrent economic derangements which render so many mouths, hands and stomachs supernumerary at certain other times.

Yet it is precisely those industrial countries like the United States where capital is most abundant that masses of it remain fallow, and people starve. Or rather, a government acting out of ordinary prudence as well as common considerations of humanity will step in and interfere with the beautiful working out of that law of supply and demand which would make the number of laborers periodically accommodate itself to the requirements of active capital. Ricardo looked upon that as an inevitable corollary of the simple operation of economic laws,[17] while Marx pours the vitriol of his abundant wrath upon those who advise the workers concerning the economic wisdom of accommodating their numbers to the requirements of capital by conveniently dying when their labor is no longer required, as well as by the practice of continence and all the other orthodox sexual virtues.[18]

SOME MODERNISTIC VIEWS ON POPULATION AND PROGRESS

Lewis Mumford, being among the moderns, extols the democratization of knowledge for preventing conception, and so points a convenient compromise for enjoying both the ways of the flesh together with the blessed consequences of asceticism. It is astonishing that this modern among modernists who pride themselves on originality, has not passed beyond the Malthusian conceptions concerning population. With astonishing perspicuity he draws the mathematical limit of the antagonistic curves represented by the area of the planet and the amount of arable soil and fishable waters. Thus, he explains the present struggle between China and Japan as due to the pressure of population. Under the stress of blind competition and equally blind fecundity, Mumford argues, there can be no other way out than these mass wars.[19]

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[16] Political Economy and Taxation—Ricardo, p. 41.

[17] Ibid., p. 253.

[18] Capital—Marx, Vol. I, p. 707.

[19] Technics and Civilization—Mumford (1934), pp. 260-3.

This prolific writer of recipes for social ills has not the slightest inkling that there are no absolute laws of population; that all these factors are social in their nature, and that the laws of social motion are relative to their historical setting, because they arise out of relations possessing an historical, and therefore a limited validity.

If Mumford is desirous of contending that some abstract, mathematical limit exists between numbers and geographical limits, he is dealing with a proposition that has no bearing upon current history and the concrete problems of our civilization. For no one can possibly know what the abstract mathematical limit of population can be in a different mode of social organization. It is conceivable that under a socialized mode of production, the so-called teeming millions of China and India will be but a fraction of what those areas can support upon standards of living undreamed of on the basis of their existing civilizations, under a rational system of cultivation and development of the known resources of the earth, and the still unknown, untapped resources of the solar system of which we are a part.

Experimentalists have already shown the possibilities of tray agriculture and the artificial capture of the life-sustaining forces of nature which now escape our attention. In this connection, Cronin adds it may well be asked whether or not the established economic order could employ the possibilities inherent in the scientific and technological processes of a rational agriculture without major adjustments to the social system.[20]

No one knows better than Mumford that vast areas of India and China are now uncultivated, or put to non-social uses, and that the methods of cultivation now employed yield but a small part of the possibilities inherent in the soil by the application of scientific methods of cultivation. A great deal depends upon the capital resources of those nations, and the laws of capital accumulation are distinctly products of limited historical social forms.

It is, therefore, absurd for Mumford to look with such equanimity upon the approaching equilibrium of population on the point of being achieved in England and in the United States, to match such similar marvelous achievement some decades ago in France.[21] The utter inadequacy of his historical analysis becomes patent when we consider the immensity of our country, the unbounded nature of its resources, and the limited number of its present population.

[20] Economics and Society—Cronin (1939), p. 305.

[21] Technics and Civilization—Mumford, p. 262.

HISTORICAL FACTORS WHICH LIMIT AMERICAN POPULATION

Thus after one hundred and fifty years of the founding of the Republic we find this vast continental domain barely supporting one hundred and thirty million people on a scale which disgraces even the known possibilities of civilized existence. The philosophy of social frustration, which calls itself liberalism and progressivism and other self-satisfying, endearing terms, is ready to accede to this historical process, while it concerns itself only with programs for immediate alleviation, and with some possible improvement for the future. We entertain a much higher conception of the destiny inherent in the human race once it becomes fully conscious of its own capacities and the possibilities locked up in the planet and the solar system of which we are a part.

With the generous-flowing humanitarianism which is the most engaging of President Roosevelt's qualities, he has thundered to arouse the national conscience concerning the one-third of our people who are ill-fed, ill-clad, and ill-housed. This apt phrase describes the status of only the more unfortunate part of the nation's population. That the situation described is an under-statement rather than an exaggeration of the facts is further attested by the careful study of consumer expenditures undertaken by Waite and Cassidy.[22]

In an indictment drawn up by the Grand Jurors of the District of Columbia against the American Medical Association certain practices of coercion and ostracism are alleged which clearly indicate, regardless of the merits of the particular case involved, that the practice of medicine has long since ceased to be principally a means for the protection of the public health. It has assumed the stature, if not the tactics of big business, while under the protective guise of preserving the ethics of rugged individualism in medical practice, millions of our citizens are deprived of normal health care because they cannot pay the price of private consultation, while they are not ready to submit to the indignities of the free clinic, nor to the established professional and psychological inadequacies of charity care.[23]

Our peace-time economy had already become stabilized in its creative aspects. In most of our constructive, creative production, we were behind the levels attained during the 1920's, while millions of our fellow citizens were without work. More millions were being absorbed into non-productive enterprises, such as those which created for war in the present or for those to come.

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[22] The Consumer and the Economic Order—Waite and Cassidy (1939), pp. 184-201.

[23] Indictment of American Medical Association under the Anti-Trust Act, paragraphs 17-24, incl., published in New York Times Dec. 21, 1938.

The Secretary of Labor reported simultaneously an increase of W.P.A. workers by 68,000 to 1,651,000, while many thousands were added by both government and private industry to those employed on war orders. Yet of the estimated forty-five to forty-seven million workers in agricultural and non-agricultural pursuits, but 35,600,000 were employed according to the data available on July 15, 1940.[24] For ten successive years the national budget had met its requirements only by borrowing. The national effort then was sustained by exporting for war and providing the means for a possible war in which this country might be involved.

And the ultimate goal? Stagnation in wealth, stagnation in population, stagnation in our social structure, and the depressing fear that the resulting stagnation in our political system will render us a prey to the more virile, if destructive systems which may arise in the future.

In less than two hundred years after the founding of the Republic as a gangling string of farms with occasional towns along the Atlantic seaboard, the only prospect held out to the United States was that of a nation that shall have reached its maximum numbers in 1980, after which the gradual decline will set in. Reactionaries, conservatives, liberals, progressives, and radicals of all sorts accept this fate as something ordained by some over-riding and inscrutable power.

All that we can do, according to their respective philosophies, is to make life agreeable to the greatest extent possible, and the nostrums attached to these meaningless descriptions of political thought are concerned chiefly with methods and means within their limited horizon. All these social philosophies are worthless because they are predicated upon the ascription of permanence to the underlying foundations of our civilization. Once that foundation is shifted, changed or modified, the resulting super-structure must record a parallel transformation. We shall now summarize the forces making for the present stagnation of American society and those operating for the transformation of the social order itself in the United States.

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[24] Report of Secretary Perkins, published in New York Times Aug. 24, 1940.

CHAPTER XXIX

Chronic Crises as the End Result of an Epoch

BASIS OF MODERN ECONOMIC CRISES

However contradictory theories about crises may be, all are agreed upon what constitutes a modern crisis with its aftermath of depression. As Bratt points out, there were famines, epidemics and other catastrophes in the Middle Ages, but no depressions.[1]

In order for depressions to have manifested themselves definite social laws operating in the economy of the Middle Ages would have had to inhibit the production of wealth when the elements for that production—in those days principally land and labor—were present but could not be put to use. Engels emphasized that mere privation due to natural or man-made conditions have existed since the days of the Pharaohs, yet world panics began only in 1825; they are a phenomenon peculiar to the capitalist mode of production, and not the result of the operation of laws and nature.[2]

During the course of our investigation we have noted several crises in the economic history of the United States. Dislocations of trade and commerce led by devious channels to the Constitutional Convention in 1787, while the business pick-up in 1788-9 helped launch the Federal Constitution when matters looked dark for its ratification by the several States. The first real economic crisis in our history came in 1819 as a direct consequence of a boom in trade. This followed from over-extension induced by the pent-up requirements during the long struggle with Europe beginning with the Embargo in 1807 and ending with the close of the War of 1812 some three years later.

Our study of those events and their surrounding circumstances established no basis for the promulgation of cyclical or periodic theories concerning the notable crises in American history. The panic of 1837 and the crisis of 1857 occurred at a time when industrial capitalism was in its infancy, and had not yet been established on a scale where its influence would predominate over a frontier—agricultural economy.

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[1] This Unbalanced World—Bratt (1940), pp. 9-10.

[2] An American Looks at Karl Marx—Blake (1939), p. 351.

It was only after the Civil War that modern industrialism began its headlong march to final supremacy over the destinies of the nation. By sheer mass of its concentrated money power it was able during the years from 1865-1896 to batter its way recklessly on to the final goal of political hegemony over the state. This capitalism attained in the memorable election of McKinley over Bryan. As we consider in retrospect the important critical dates in our economic history, the financial panic of 1907, the unsettlement during 1913 just prior to the First World War, the decline in 1921 after the inflation following the war and the armistice, and finally the Great Crisis of 1929, we are impressed with the fact that none but the most meaningless platitudes can be applied in the generalizations and characterizations some writers ascribe to all of them.

Every previous crisis and resulting depression in our history was developed in a time-space background which was peculiarly distinctive. Each must be studied in its own milieu. That does not mean that certain general characteristics possess no historic importance to us. It is a conclusion of the highest importance that modern crises are not the result of some malign visitation of nature, like the periodic plagues which burst upon medieval society. A conclusion of equal importance is that of Engels, who with England in mind, stated that world panics of a character now known to us, did not manifest themselves in modern civilization until the year 1825.

The first real American crisis in 1819 exhibited the fatal gap inherent in a system of production based primarily on exchange when one does not produce directly for order, and where an interval must elapse between the sale and the payment for the commodities. Production for a general market and the development of the credit system are fundamental in the capitalist mode of production. This was just as true in 1819 as in 1929. So long as the general movements of production-sale-collection are studied, many truths of profound importance will be found to apply equally to those crises over a one hundred and ten year interval. But for detailed, closer analysis very little will be found in common between the frontier economy of the one and the highly mechanized imperial economy of the other.

MATERIAL FOUNDATION OF OUR CIVILIZATION

Speaking of our own time certain economic truths are self-evident, carrying with them implications of the highest scientific and political importance. Agriculture as soon as it steps beyond the bounds of subsistence farming enters into the sphere of commodity production for the general market. Insofar as the farmer becomes increasingly dependent upon the obtainment of the universal means of exchange, cash, with which to supply his own needs as a consumer, he renders himself susceptible to the operation of the laws of capitalist economy.

Cronin admits that no matter how idyllic the picture of the subsistence farmer is painted, the standards of living to which he and his family are now committed demand specialized cash crop production.[3] He knows the vicissitudes of such production; but he seeks, gropingly, to escape these consequences while holding on to their manifest advantages. Consequently, whether the farmer knows it or not, modern agriculture is dominated by the laws of capitalist production as a whole.

These laws manifest themselves in their highest perfection in industry conducted on a capitalist basis. They have developed out of the requirements of a competitive economy. Large scale production is more economical, and in many industries, the only possible method. Such enterprises require vast masses of capital far beyond the control of the individual producer. Hence associated capital came on the scene in the shape of the corporation.

In a very enlightening discussion of this subject edited by Alfred L. Bernheim under the auspices of the Twentieth Century Fund, it was shown that 594 largest corporations out of a total of 388,564 reporting on their incomes in 1933 revealed that they owned 53.2 per cent of the total assets of all active reporting corporations submitting balance sheets. The corporations not reporting owned less than one half of one per cent of the total assets of all corporations. The average assets of the big corporations amounted to over 240 million dollars, while the lowest among that group had over 50 million dollars.[4]

An illuminating chart on the concentration of wage-earners in giant industries disclosed that fact that in 46 out of the 82 industries listed more than half of the wage-earners were employed by the six largest concerns, while among the first 24 of them a majority of the workers were employed by the three largest producers.[5]

At this late date it is needless to argue any further that industry is depersonalized and generalized, though functioning as the private property of the stockholders who determine through their competent officers when industry should go on and when it should stop.

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[3] Economics and Society—Cronin (1939), pp. 316-17.

[4] Big Business: Its Growth and Its Place—Bernheim et al. (1937), p. 54.

[5] Ibid., p. 43.

This is not regulated by mere whim, although at times the dominant factors in private enterprise throw out dark hints that unless certain government policies are adopted, or the election goes a certain way, grass will grow in the city streets. This was the type of argument employed with varying degrees of effectiveness from Mark Hanna down to Hoover. There are definite economic laws that impel the continuous functioning of the process of production-sale-reproduction. The smooth-flowing organization in a competitive field is better able to meet resistance.

Even monopoly producers find that it pays to keep going continuously, or as near perpetual motion as is possible to attain in a balky economic system. For the higher their dividends, the more valuable their securities in the stock market. In a world where income is capitalized, many a current valuable stock has nothing more tangible behind it than the capitalized value of its prospective future dividends.

In a system where credit functions so large to facilitate the smooth-flowing interpenetration of the two periods of the turn-over —the time of production and the time of circulation—it is of vital importance that the specific exchange value, the particular commodity produced, be it hats, autos or locomotives, should be transformed into the universal exchange value, which is money. It is not necessary to enlarge upon this point. The fruitful source of crisis lies in the inability to effect this metamorphosis, and the ensuing stasis in circulation is bound to effect the normal functioning of the entire economic system.[6]

There have been other causes of dislocation in the national economy. The well-known timidness of capital is affected by perturbations in politics, the world situation, the insufficiency of raw materials in boom times and their over-abundance at other times, in so far as they affect incomes of large consumer sections of their normal outlets. Individual and group manipulation in finance have played their baneful role. But after all is said and done, the fundamental, the basic, the all-important cause of the slowing down and final stoppage of new production is the inability to dispose upon a profitable basis the products of previous production.

There is nothing new in that statement of fact. The shallowest epigone knows that much. The real problem is why modern industrial capitalism must break down periodically, until the break-down has become chronic. Among the inchoate mass denominated as progressives and radicals an infinite variety of schemes were evolved with the general objective of breaking up the log-jam by producing for use and not for profit. Society, however, looks dubiously at any cut-and-dried scheme for its amelioration. The inherited caution of its long evolution has taught it to beware of happy thoughts intended for its perfection.

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[6] An American Looks at Karl Marx—Blake (1939), pp. 346-8.

INTELLECTUAL BANKRUPTCY OF CONTEMPORARY LEADERSHIP

At the other extreme of contemporary thought there was the 1940 Republican candidate for the Presidency, Wendell L. Willkie, who proclaimed in his acceptance speech that private enterprise ought to be left alone to start producing again freed from government restriction, and absolved, were it possible, from paying taxes so that more capital could go into productive channels. This, according to the economic beatitudes, would start money circulating for durable capital goods, raw materials, with wages for workers and income for owners of capital.

Unfortunately, this unoriginal genius did not have time to go into details; the general picture sufficing for intellects of the type to whom his argument appealed. "The New Deal's attack on business," spoke the oracular voice, "has had inevitable results. The investor has been afraid to invest his capital, and therefore billions of dollars now lie idle in our banks. The business man has been afraid to expand his operations, and therefore millions of men have been turned from the employment offices."[7]

In the first place, the New Deal did not attack, but actually came to the rescue of business by pouring billions of dollars into industry directly through R.F.C. loans, and indirectly by starting a tremendous program of public works. Through its relief program purchasing power was more widely distributed and more billions of dollars of goods moved from the shelves into the hands of consumers. The point here is not whether this is the definitive solution for crisis and depression. It is not. All agree on that. But the New Deal's ministrations were as necessary for capital as it was for the human material whom it succored. The results of its present efforts are principally ameliorative and not constructive.

When the New Deal, reacting to the pressure exerted by capital, was compelled to slow down on its expenditures in 1937 after the Supreme Court re-organization plan debacle in Congress, a slowing down of industry soon resulted, and the same forces which compelled the contraction of the New Deal program were heard pleading for its expansion again the following year.

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[7] Willkie's speech at Elwood, Indiana, Aug. 17, 1940; in New York Times, Aug. 18, 1940.

Furthermore, no attempt was made by Willkie to particularize the industries into which the investor's capital would flow if freed from government pressure. Shall it be in steel, railroads, chemicals, shoes, cosmetics or amusements? The capitalists already engaged in those enterprises, none of which was employed to full capacity in their normal pre-war operations, would simply smile. Or perhaps a bright new industry, like television? The bitter battle now being waged by the Federal Communications Commission against the freezing of this industry in its present immature state by vested interests before its potential possibilities have been fully explored and opened up for public service, exhibit another phase of the inherent limitations for the expansion of capital due to the operation of its laws of motion.[8] This point will be elaborated further on.

Willkie's inability to name specific industries or opportunities for capital investment is an infirmity of the class he represents. What they do not know—and no ruling class in history has ever admitted it—is that its day is over. This does not prevent them from remonstrating that they are still as good as ever they were in their prime if only they will be left alone to work out their destiny. The American people have travelled a far way in their awareness of the consequences of that destiny to give Willkie's class a blank check on the future. A bill of particulars is demanded, and none has yet been forthcoming except the sturdy insistence that those who wrecked our economy are best fitted to set it to rights again.

SOCIETY IS MARKING TIME

There is no question but that society today is marking time. The American people are acutely aware of this fact. The New Deal has had its one great chance, when it projected the N.R.A. and it failed. It failed because its architects were unprepared for the problem. They were called upon to project a clear-cut program at a time when all that the New Dealers were prepared for was to improvise as they went along. In 1933 Congress and the people were ready for real leadership in a tremendous constructive effort, but that was not forthcoming because the leadership was lacking for the task of social reconstruction. The very fact that society looked so longingly to leadership proved that it was itself confused as to causes and objectives, being unprepared for the problems at hand, and hopelessly

[8] Statement by Chairman Fly of the F. C. C. in New York Times, Aug. 1,1940.

divided by its internal groupings concerning ultimate objectives and immediate means.

In countries like Italy and Germany where the democratic processes were not fully developed leadership under similar conditions of chaos soon matured into dictatorship. That did not improve their outlook nor deepen their penetration, but it did cement their power to compel things to be done.

In democratic America such political compulsion was impossible. Things soon drifted back into their accustomed channel, except in one important respect. That was the popular determination not to let go the political power they now exercised over the state apparatus. It is true that the people are not clear as to exactly what they want, but it is equally true that they know what they do not want. Nevertheless, the main problem remains to be solved. Some way must be found out of the present impasse outside of war. A beginning can be made by analyzing the processes of production and reproduction which is the basis of modern economy.

CAPITALISM'S MAGNIFICENT CREATIVE ACHIEVEMENTS ARE NOW ENDED

There are two main classifications into which all products can be placed; first those which constitute the means of production, and second, those which constitute the means of consumption. As with all classifications of a scientific character, there is a borderline where it is impossible to make rigid distinctions or where the same product functions in either or both categories. Corn is primarily an article for consumption, yet the corn used for sowing becomes a means for the production of more corn, while the corn fed to hogs is a variation of constant capital whose value re-appears in the animal and is realized in the sale price to the ultimate consumer. But on the whole there is no mistaking the uses of goods either as means of production or as means of consumption. In the ultimate analysis, the specific function of the commodity will determine its classification.

The capitalist mode of production prevails in those contemporary societies which have reached the highest form of development that our civilization allows. Aesthetes may quibble as to the particular meaning of the phrase "the highest form of development." They can point their superior finger to the glories of ancient Greece, or to the marvels of the Inca State, or to the noble chivalry of Medievalism. We are not disposed to dispute these points.

We do maintain that the ideologies established by the capitalist phase of our Civilization's development are most conducive to the growth of the human spirit, with its cult of the common man, and of the fullest freedom for the exercise of his mental, moral and spiritual faculties in a social medium where the individual theoretically is freed from restraint except for the minimum compatible with the continued existence of organized society. Capitalism has raised immense masses of humanity to the dignity of self-consciousness. We do maintain that no other form of social organization in the long record of man's past has contributed so much to the welfare, the happiness and the dignity of the individual in his social milieu.

We must, therefore consider the present position of the individual and his groupings in the social structure of our time right here in the United States. We have found that a halt has been called to the upward surge of his progress which from the beginning of the Republic up to 1929, despite occasional lulls, dips and depressions, has always been one of continuous, progressive unfoldment.

While the apologetic conscience may quibble as to whether or not this is a finished country, the fact remains that upon the basis of the capitalist mode of production the industrialization of our society is relatively complete. Such is the admittedly gloomy outlook Bratt pictures in a very recent discussion.[9] This does not mean that no further progress is possible upon another basis of social production. But this presupposes a change in our form of social organization, which cannot be accomplished without a parallel transformation of the ideological superstructure. American society today is not prepared for such a transformation of the social structure. Therefore we are still puttering around with various schemes that will set our economy functioning again upon a scale compatible with our requirements and in consonance with its technological possibilities.

This is the basis of all the schemes for getting started again the more vital division of social production, which is the production of the means of production, or what is commonly called the durable goods industries. The latter term is misleading since distinctly consumer goods that last over a long period, like family automobiles, houses, roads and public water systems are also placed in the durable goods category.[10]

INABILITY TO MAINTAIN THE PRODUCTIVE CYCLE

We have observed that as civilization increases in complexity an ever larger proportion of the annual social production is devoted to the production of the means of production, which is a roundabout way for the production of the means of consumption, whether in the form of bananas or houses.

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[9] This Unbalanced World—Bratt (1940), pp. 22-4.

[10] This Unbalanced World—Bratt, p. 167.

To supply the demand for that tasty fruit there is brought into play a vast, complicated economic apparatus which includes steamships, docks, railroads, plantations, road-building, drainage of land and a host of other accessories to the continued cultivation, harvesting, transportation and marketing of that distant semi-tropical product. The capital organization behind the thousand and one items that enter into the construction of a house can be readily imagined.

Our pioneer founders of America did not require that complicated capital structure. Neither did they enjoy tropical fruits or live in houses according to the standards of our times. The preponderance of labor devoted to the production of the means of production, or capital goods, distinguishes modern society from all previous forms of social organization.

The average industrial worker requires that at least $4000 of capital be placed at his command in order that his labor should function at average efficiency.[11] Since the average annual wage of the industrial worker when fully employed at his normal peace-time occupation is about $1500 a year, and in view of the fact that a highly mechanized industry sets in motion a capital plant far above the average given by Professor Slichter, it is reasonable to assert that by far the greater part of the labor of modern society is devoted to the production of the means of production which in turn facilitates the economical and abundant production of consumable goods.

According to the data submitted by the National Industrial Conference Board the amount of capital employed for each wage earner in 1936 was $2,253 in textiles, $3,747 in lumber, $6,255 in rubber, $6,874 in metals, $7,095 in printing, $8,285 in food, liquor and tobacco, $9,275 in paper products, and up to $14,895 in the highly technical chemical industry. The average for manufacturing was $5,659.[12]

Of course, capital goods are not all reproduced in a single year. Some of them, like oil, coal, raw materials and accessories that enter into the productive process are consumed during the course of the year. The great mass of constant capital is fixed in plant and structure that wears out over a period of years, while transferring their value piecemeal in the products they help to create, and from whose realized value a portion is accumulated in depreciation funds until this capital value is extinguished and the carcass of the once virile productive organism is junked to be replaced by another.

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[11] Professor Slichter in Special Supplement of New York Sun, Jan. 6, 1940.

[12] Published in New York Sun, Jan. 6, 1940.

Meanwhile the transferred value of the fixed capital re-appears pro-rata in the selling price of the commodity and is stored away in this depreciation fund which in course of time represents the total value of the exhausted capital to be replaced. A machine costing $10,000 with a life-time of ten years in average use, will be represented at the end of the first year by nine thousand dollars of functioning capital value and one thousand dollars in the depreciation fund. This fund is banked or invested in securities and is used as conditions require in normal prudent business practice.

Nothing is more common than for a producer in a highly competitive field to discover that his method of production is antiquated and that the factor of obsolescence is more important than that of physical deterioration of his plant. The junk yards are piled with machines still able to function mechanically, but outmoded economically. "Competition," wrote Marx, "enforces the introduction of new machinery before the old is worn out, especially in the case of important modifications. Such a premature reproduction of the instruments of labor on a larger scale is generally enforced by catastrophes or crises." [13] With the true insight of genius this great thinker foresaw why at the very time when masses of productive capital lie fallow, there exists the strongest possible motive to decrease the cost of the individual product by increasing the complexity and generally the expense of the means of production.

Bratt in his most recent work frankly states that the increase in productive efficiency during the past few years is as marvelous as it is puzzling. "One of the marvels of our time," he writes, "is the ability of industry to show as rapid increases as ever. This results from mechanical improvements, more efficient factory layout, efficiency in organization, and engineering achievements. The total result is that, on the average, an hour's work produces 50 percent more than it did twenty years ago. This is probably more rapid than the increase in efficiency occurring at any time during the Industrial Revolution. The recent changes in over-all efficiency have not proceeded according to the general pattern to be expected as industrialization becomes complete." [14]

While Bratt marvels and wonders, he misses the point of the issue. These technological changes have occurred chiefly in highly competitive industries. In those fields of production of goods or services where a monopoly prevails, there he will find the least incentive to technological advances. Again, in those fields where price fixation exists or where income is guaranteed by legal practices, as in railroads and public utilities, only those technical advancements are incorporated which will increase profits without endangering the rate structure, or where extra profits can be reaped for some years before the cumbersome regulatory agencies of government come around to adjusting rates in accordance with the new lower costs of production.

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[13] Capital—Marx, Vol. II, p. 194.

[14] This Unbalanced World—Bratt (1940), p. 23.

WAR THE ONLY SOLUTION FOR ECONOMIC AND POLITICAL DIFFICULTIES

We come now to the crux of capitalism's inability during the depression from 1930-40 to recover its losses and go on to higher levels as was the case in previous crises and depressions. The capital goods industries were the hardest hit by the depression and showed the lowest record of recovery. Presently we shall discuss the current splurge due to that other blessing of modern economy, the war orders of European and other governments, including our own.

Professor Fairchild estimated that during the five year period of 1931-1935 the national capital equipment showed a deficit of $16,000,000,000.[15] Bratt quotes the Brookings Institution as authority for the estimate that at the end of 1936 the accumulated deficiency of durable goods amounted to from $25 to $30 billion.[16] The discrepancy of the two estimates as stated may be due to what is meant by durable goods, although Bratt's discussion indicates he uses that term as signifying capital goods.

But whether one relies on the one figure or the other, the fact remains that vast masses of the capital plant have not been replaced in normal operations. If we consider the question from its proper standpoint of not merely capital replacement but also the normal additions to plant when capitalism was on the up-grade, the extent of the stagnation which has beset our economy becomes even more staggering. For existing capital must not simply be replaced; the average annual increment must be added in order to get a clear picture of the pre-depression period and the post-depression period.

According to data submitted by George Berborgh of the Federal Reserve Board, there was put into plant and equipment between the nine year period 1921-1929 $71,000,000,000. During the nine year period 1930-1938 the comparable figure was $55,000,000,000. But that is not all. No industry is so responsive to prevailing economic conditions as housing construction. In the comparable periods as noted above, the same authority states the respective sums spent for such construction was $36,700,000,000 before 1929, and only $10,000,000,000 for the nine years after.

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[15] Fred Rogers Fairchild in New York Sun, Jan. 6, 1940.

[16] This Unbalanced World—Bratt, 1940.

Here then is the situation put in its most striking fashion: Enormous deficits in replacements, in additions to capital equipment, and in housing, all affecting the basic industries which are the pride and glory of our civilization. But, without being cynical, what is of greater importance than even our vaunted civilization is the fact that the capital goods industries are the basis of our economic well-being. Civilization is an abstraction, an indefinite moral conception, and whenever Civilization clashes with economics on the basis of the capitalist mode of production, it is always the former that comes off second best.

Dr. Harold G. Moulton, president of the Brookings Institution, gives some valuable, though unintentional, support for that proposition. He is one of the twenty-two distinguished authorities on economic problems whom the New York Sun gathered together for its impressive fifty-six page supplement on what must be done for sound recovery. The learned doctor expresses the sound judgment that "all we require is an economic and political situation favorable to the resumption of capital replacement and expansion in existing industries." [17]

One stands aghast at the sheer brilliance of this happy thought. His glory is somewhat dimmed by the fact that no less than twenty-one other authorities in the same special edition voice the same conclusion. With not a single exception they fail to lay down just exactly what these favorable economic and political pre-requisites for prosperity should be.

With unfailing monotony they repeat the utterly biased class formula that taxes must be reduced, and the budget must be balanced. Above all, the New Deal Administration must be ousted and the Old Guard stalwarts be re-constituted in their accustomed places at the controls of our governmental, industrial and financial machine.

Not one of them undertakes to prove how that will remedy the situation. Not one of them can point to a single industrial concern which meets determined, effective competition that would dare allow its functioning productive plant to run down and still expect to survive in the struggle for existence. All of us can point to a multitude of industrial concerns that are functioning at various percentages of their capacity up to the maximum, regardless of the New

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[17] Statement in New York Sun, Jan. 6, 1940.

Deal, taxes, budget balancing and the blessings of rugged individualism in the economic sphere of social existence. They produce when there is a market for their goods. New Deal or Old Deal, the steel industry found no difficulty whatever in reaching out for new levels of production under the beneficent influence of war and preparedness orders. With great pride the old lady of Wall Street blazons the tidings that the 1940 output will reach 65,000,000 tons as against the previous record of 62,000,000 tons in 1929. But with characteristic pharisaism it complains that it required eleven years to accomplish this, while other depressions were conquered in three years. No word is breathed concerning the causes for this new record.[18]

Industrialists will be glad to keep on producing, and will renovate their plant, install modern equipment, and add to their capital structure enough sums to warm even the heart of Dr. Moulton, so long as they can continue to produce at a profit. Even the term profit is too indefinite. Accumulation of capital has become so vast that to meet the fixed charges on the investment has become of greater importance than the earning of the entrepreneurial profit of the earlier days of capitalist economy. The statistics of such a giant corporation like the United States Steel will show that over a long period of years the dividends on common stock will scarcely equal the interest paid by the savings banks.

So long as the fixed charges are met, the corporation will go on functioning in hopes of better days. Many a time an investor in its bonds and preferred stock has doubtless wished that he had put his money in the savings bank. But that hallowed institution would be compelled to charge its depositors for the safekeeping of their money, like the goldsmiths at the infancy of capitalist economy, unless they could invest those funds in prime industrials, public utilities, and not the least, those famous government bonds which irk so the classical economists of our time.

MONOPOLY ENTERPRISES ARE THE LEAST PROGRESSIVE

Only in monopoly enterprises is it possible for industry to allow its plant to run down, because profits are assured. Replacements are regulated by the balancing of prospective returns upon what they consider, improperly, as an unwilling investment rather than a necessary replacement; which at all events, can be postponed for some time. Of this nature is the threat made by Wendell L. Willkie speaking over the Columbia System radio network in April 1936, that if Congress would pass legislation outlawing the holding company in the power field, the electric companies would withhold $3,500,000,000 from capital reconstruction.[19]

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[18] New York Times, Nov. 18, 1940.

With the enormous accumulation of constant capital required by modern industry if it is to function at all, the average rate of profit of enterprise has been reduced more and more to the level of the rate of interest, which in turn has a tendency to fall with the increasing accumulation of capital characteristic of a capitalist economy in its maturity. The real cry of Professors Fairchild, Slichter, Watkins, Arbuthnot, Magill, Agger and the rest of the virtuosi gathered together by the New York Sun publisher-impresario over the burden of taxation is the recognition that taxes on wealth are a deduction from income. After all, the income must be produced. And so long as the taxes do not absorb the entire income from whatever source, capital will always possess the strongest possible incentive to go on producing.

No one can seriously argue that taxes normally take more than a minor fraction, at the most 25%, of the income produced by capital. By the same token, no one—we repeat, no one—can establish that capital has been deterred from productive investment simply by fear of taxation. That everybody wants somebody else to pay taxes, or better still, that nobody should be called upon to pay taxes at all, is a perfectly understandable human failing. What is not so clear is the devious plea by interested parties and their intellectual apologists who put the blame for the collapse and continued stagnation of our economy upon the tax policies of the New Deal Administration.

Again we repeat, and for the last time, the simple, didactic and unequivocal statement that normal taxation is a redistribution of a portion of the values already produced, and does not affect the incentive to produce the whole. The inability of capitalism to recover its balance is not due to taxation, but to the problems of production.

New values are created only in production. The surplus values distributed by capitalist economy arise out of production. When production stops the creation of values ceases. The only reason why production stops is the inability to dispose of the product at a profit. The fault of such stoppage must be sought in the inner workings of the capitalist system rather than in the policies of government which, at worst, takes only a minor part of the total revenues of industry distributed to the possessors of capital in the various categories as rent, interest and profit of enterprise.

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[19] The New Republic supplement on Willkie, Sept. 2, 1940, p. 330.

HISTORICAL LIMITATIONS OF THE DOMINANT ECONOMY

This is not to rail at the profit system. Very few of those that do, understand the epochal contributions of capitalist economy to the attainment of the highest civilization, such as it is, ever experienced by mankind as a whole. But to acclaim its achievements does not preclude the recognition of its historical limitations.

Capitalism has now reached the end of the line. That is no reason why it cannot park there, and vegetate, and stew in its own juice, or be destroyed in its own fire as it is now engaged in doing on a world scale. Our concern has been to show why its limits have been reached as a creative, constructive force in social evolution.

The problem is posited in its stark scientific nakedness by the inability of capitalism at maturity to solve its internal contradictions even on the basis of simple re-production. Bratt concedes that we have reached the point where replacement of industrial equipment will necessarily be larger than new construction. He admits that the impetus for growth is not immediately apparent at the present stage of our industrial maturity.[20] In this conclusion he has the support of responsible opinion engaged in the study of the facts of the existing situation. What they are not agreed upon is the cause of this stagnation, nor upon the way out.

FUNDAMENTAL CAUSE OF CHRONIC CRISIS IN CAPITALISM'S MATURITY

The fundamental cause of periodic break-downs in capitalist economy is the inability to balance reproduction even on the same scale, let alone to meet the requirements of capital accumulation made necessary by this mode of production.

All production, we observed, can be classified as the production of the means of production, and the production of the means of consumption. We will call the first Department I and the latter Department II,[21] which together represent the totality of all production. Each producer of the respective departments possesses the capital equipment requisite for his particular line.

In a competitive field he must employ the means which will keep his costs at about average, and, if possible, below the average. This is accomplished by installing the most effective machinery, getting adequate materials at market prices and a labor supply of average skill. Of course, each producer can be relied upon to attempt to level his costs by getting cheaper labor, or exploiting it with greater intensity, employing substitutes for the standard raw material, and, in general, taking advantage of all the tricks of the trade. But ultimately it all evens out in the average cost of production for the line as a whole, with all the individual variations of the various producers.

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[20] This Unbalanced World—Bratt (1940), pp. 127-8.

[21] The following analysis is based upon Marx's Capital, Vol. II.

Departments I and II must employ both capital and labor. We saw that according to Professor Slichter the average capital employed by the average worker amounts to at least $4,000. This he admits is a low figure. The data presented by the National Industrial Conference Board put the amount of capital set in motion by the average worker as around $5,700 in 1936 and reached as high as $6,900 in 1929. With the average annual wage of the worker around $1,500 when fully employed, it is reasonable to assume that the constant capital functioning in production is about four times the wages paid out. The proportion is immaterial to the course of the argument, and is given here merely to show that there exists a reasonable relation between the realities of capitalist economy and the purely illustrative figures we will now employ.

Let us assume that the total production for the United States during a given year amounts to a value which we will denominate as 9000. This figure may stand for a certain number of dollars whose absolute number varies, but which still retains a relatively stable internal relationship.

We have observed that a highly industrialized society devotes by far the greater part of its efforts toward the production of the means of production in order to be able to create consumable products in greater abundance. The cobbler toiling with awl, needle and thread invests little in his means of production as compared to the total value of the product of his labor. The modern shoe worker sets in motion an enormous capital, and though his production is greater the value transferred to the product by the capital employed is altogether out of proportion to the value of the living labor added to the product. We are, therefore, justified in assuming that the ratio of the capital employed in modern industry to the living labor is as 4 to 1. For every dollar of wages paid, four dollars are invested in capital plant; that is, in machinery, materials, building and site. Here again, the ratio adopted is arbitrary, and the course of the argument will not be affected if a lower or a higher ratio is employed.

It has been demonstrated that one of the decisive keys to the character of a civilization is the amount of production which goes toward replacement of the means of production. The primitive savage requires little or none; the medieval serf only some crude implements; the modern worker a complicated industrial machine.

We will also assume that of the total value of the products annually produced, that of the means of production is twice as great as that of the means of consumption. This, of course, has nothing to do with absolute quantities. A thousand bushels of wheat will go just as far in 1940 as it did in 1920, but its market value at current prices is around $700,[22] whereas it was over $2000 in post World War days.

This would be the relation under the conditions assumed:

Department I—Production of the means of production	6000
Department II—Production of the means of consumption	3000
Total value of annual product	9000

The internal composition of the capitals in both departments is characteristic of the stage of industrial development general to society at a given time. Therefore both will show four times the capital employed to that of living labor. Department I will show 4000 constant capital employed to 1000 for labor power, while Department II will show 2000 constant capital and 500 for labor power.

Since on the basis of capitalist economy production is not undertaken merely for the sake of producing, but producing for profit, each Department will have to show an increment to the values with which the enterprise began its year. The rate of exploitation for labor varies according to particular circumstances, but the results to capital in a competitive system must be approximately the same. No capital will be content with a profit less than the average, and those capitals enjoying a profit above the average will soon attract additional capital in a competitive field.

The law of supply and demand merely equalizes the profits but does not create them. Surplus value is created by living labor which activates the capital put at its disposal. This capital transfers a pro rata part of its value to the new product. Capital is an essential element in the production of new values, but does not itself create additional value.

Nothing is more lifeless than fallow capital. It is the addition of the living energy of brain and muscle that enables inert capital to perform the miracle of transubstantiation by bringing its value to life again piecemeal in the product created out of its loins by the addition of fructifying toil. This transferred value is realized again in the selling price which prudent accounting sets aside as a depreciation, or replacement, fund when the capital is at last worn out.

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[22] The current market price is 70⅛ cents a bushel in Chicago market; New York Times, Aug. 28, 1940.

If we add the all-important element of profit to the capital employed in both Departments, and assume, as we must, the same rate of profit for both, the following will be the representation on the basis of a rate of profit of 20 percent, which includes the profit of enterprise, interest and ground rent. Dept. I constant capital 4000, labor power 1000, profit 1000; total 6000. Dept. II constant capital 2000, labor power 500, profit 500; total 3000.

STAGNATION OF WESTERN CIVILIZATION

Here, then, is the problem modern capitalism must solve on the basis of mere simple reproduction. The constant capital of both Departments is 6000. A machine is no less a machine because it is employed in a canning factory in the production of a consumable food. That machine will wear out in time, and though employed in Dept. II, it cannot well look to a carload of canned tomato herring to replace the canning machine.

But the producer can do so by selling the carload which we will assume is equal to the cost of the particular machine. He will go to the proper producer in Dept. I in order to obtain that essential means for his production. By the same reasoning, the producers of machinery and equipment in Dept. I cannot live on their products. They in turn must look to Dept. II for the necessaries of life, and for the luxuries that enter into consumption goods for their class. Most workers go to movies, but few sport yachts.

There is paid out in Dept. I 1000 in wages and 1000 among the owners of capital. In normal reproduction on the same scale this takes care of 2000 of the 3000 in values produced in Dept. II and allows it to replace the worn-out capital to that extent. There is still 1000 to be accounted for in order to balance its equation.

This is simple. Within Dept. II, as we noted, 500 is paid out in wages and 500 to owners of capital. The clothing worker does not eat clothes; neither does his employer. The first is paid in cash from the sale of the products in normal business, and by the same process those entitled to income on invested capital share in the realization of values.

We have now taken care of all the 3000 in Dept. II and 2000 in Dept. I as shown above. There still remains 4000 in Dept. I to be accounted for. This is represented by the producers of means of production for those in the same Department who need machinery and equipment to keep functioning the capital plant of our national economy.

An enormous amount of our annual production consists of the means of production themselves. Locomotives, steamships, coal mining machinery, printing presses, automobile trucks for commercial use and the like are produced in gigantic quantities to function within the same Department I. Means of transportation are vital to Dept. II, but they do not enter directly into the consumable products as such, though indirectly a portion of the value of a locomotive enters into the selling price of every apple.

It is readily understood, therefore, that just as 1000 of values in Dept. II are exchanged within its own sphere, so 4000 of the values created in Dept. I are disposed of among the various producers of capital goods within its sphere. Therefore, on the basis of simple reproduction we have accounted for the re-distribution of the entire national annual product in both Departments of our economy.

The problem of money with which these complicated transactions are carried on merely disguises but does not affect the essential process of redistribution. We assume that at the beginning of a certain year a quantity of money was at hand, together with all the intricate machinery of the credit system, just as we assume that at the beginning of the same year there existed a mass of accumulated capital and a large number of workers capable of employing it.

By the same token, we assume the continued operation of the laws of nature and of the social forces as they develop out of the established relations in our social structure. Our problem here is not how money came about, or the whys and wherefores of the credit system. Neither are we concerned with the moral questions arising out of the private ownership of land, and of the means of production which are the product of labor, both past and present.

Our sole concern is with the problems involved in the functioning of the economic system in order to discover, if possible, the cause of its periodic break-downs with all the social evils that brings in its wake. This is not a matter of mere academic interest, but one affecting literally the lives of many, many millions of our fellow citizens, and the continued existence of our nation in a state of general well-being and prosperity for all its people.

The diagram of simple reproduction here employed is the simplest, yet most correct representation of the reality inherent in all the complicated business transactions of the nation. Exception might perhaps be taken as to the respective weight of the component elements, but no possible exception can be taken to the principle involved of the exchanges which must take place between the Departments of production and within the Departments respectively. The reader is entitled to use his own weights, but in the end the scales must balance, or capitalist economy cannot reproduce itself without a crisis in either or both of these divisions of the social production.

RECURRENT CRISES AND THE ULTIMATE CRISIS

It will be our purpose now to show that even on the basis of simple reproduction, capitalist economy is thrown out of balance, which, accumulated in the passing years, must produce a crisis. If crises are shown to be inherent in capitalist economy on a simple reproduction basis, its effects must be accentuated in reproduction on an enlarged scale, which up to 1929 was an inherent law of capitalist production. We propose to show that chronic crises and ultimate stagnation is the end result of the capitalist mode of production. It is the application of the tendencies exhibited in the Second Law of Thermo-Dynamics to the functional apparatus of the capitalist system and to the social structure which it has built around it.

Simple re-production implies a stagnant society re-creating itself with the regularity found in lower forms of organic life. In society, the least developed peoples are those which, having attained a certain level, petrify themselves into definite molds to which future generations must conform. Such was the life of Egypt and the Asiatic peoples until they were shaken out of their slough by the impact of a virile Western civilization. Among Western peoples those nations which reproduced their institutions on the same order substantially, were the most backward within the range of European culture. We have noted that chronic stasis has already seized upon the economy of once virile leaders of that form of civilization both in the Old and the New World.

When capitalism was young it could ward off the effects of its economic laws by recurrent fevers and subsequent recovery. It reached to ever higher levels so long as there were new worlds to conquer, and new peoples to exploit.

As for the United States, there was the vastness beyond the Alleghanies, beyond the Mississippi, with a sudden splurge toward the Pacific and the back-track to the region of the Rockies. For the virile European countries there was opened the accumulated wealth of Asia, the natural resources of Africa, and the imperialistic exploitation of all the peoples of the world. England and France with their various satellites soon pre-empted the earth between them, while Germany was engaged in perfecting that national consolidation which was two hundred years overdue because of the exhausting effects of the Thirty Years' War.

Imperialism played a minor, a very unimportant role in the economy of the United States. Blessed with incomparable natural resources securely locked up in our own continental domains, possessing a vast hinterland for uninterrupted exploitation not only within our boundaries, but overleaping international lines into Canada and Latin America with the rich islands in the Caribbean Sea as our natural prize, American capitalism had ample room for its expansion.

The results of the First World War opened up, temporarily, Europe itself for American exploitation. Subsequent events proved how foolish that move was, once Europe began the recovery from its exhausting struggle between the contending imperialist powers.

Meanwhile the alert leaders of hitherto subject or semi-colonial peoples began to perceive the need for economic self-sufficiency as the basis for political independence. Each nation tried as far as possible to make itself self-supporting. Autarchy became the shibboleth to stir the awakened national consciousness. The lessons of the First World War taught the necessity for national self-reliance both in industry and agriculture; the first to produce the instruments of war, and the second to sustain the warriors and those who supplied them. This was the basis for all those tariff walls and trade agreements which followed 1918 with an eye to national security first and profits afterward.

DECLINE OF WORLD CAPITALISM

This also proved to be the beginning of the end of the capitalistic epoch in the course of Civilization. Free trade and laissez-faire were doomed. National self-preservation had to replace the hitherto ruling passion for private gain. Trade barriers far beyond the purposes of ordinary tariff legislation now impeded the normal inter-change of products between the nations of the world and within the nations themselves.

In our diagram of the exchanges between the Departments of Production, we assumed that workers and capitalists both spent their entire income for means of consumption, consisting of necessities and luxuries according to their means. We also assumed that the capitalist producers in both Departments stood ready to replace their constant capital annually as it wore out during the course of production. Unless this were done, the respective products could not be sold, and those owners unfortunate enough to be left with commodities on their hands would be compelled to shut down until they could dispose of them.

If the seller of commodities became a corresponding purchaser of replacements during the course of the year a balance of interchange could be effected. But such capital replacements must take place at irregular intervals. Machinery does not wear out at once lock, stock, and barrel. Parts are replaced according to their nature, while the machine itself functions over a period of years. Meanwhile the depreciation fund accumulates until such time as it is called upon. This precipitation of worn-out capital value in the form of money becomes part of the unexpended resources of the enterprise. As such it is invested, rather than hoarded. The effect is that the money representation of still functioning but worn-out capital now becomes the capital of some other enterprise. A million dollars in a depreciation fund is a definite sum of money. It does not carry a tag describing its origin or its future employment, except in a notation on the accounts of the enterprise.

Once that sum reaches a bank, it becomes part of the banking capital of this other enterprise, subject to recall. If re-called, the bank tries to replace it with other funds in an effort to maintain its business on a certain level. Should the depreciation funds be invested directly in securities, this theoretically reserved capital of one enterprise now becomes part of the capital of another. It may be urged that from a social standpoint no one is inconvenienced, for what one gives up another puts to use. But from the standpoint, say, of the producer of printing presses, it is no comfort to him if he is told that the depreciation fund of his whilom customer now functions in a mining enterprise. If that printing press lasts ten years, the functioning printer is out of the market for that kind of a machine for that length of time.

Of course, other printers have since worn out their machines and come periodically into the market for replacements. But all this is predicated upon a finely devised dovetailing of factors which are inherently unrelated, uncoordinated, and therefore purely accidental in relation to a particular producer. Not all machines wear out in exactly the same ratio even if purchased at the same time. One producer is more careful, more considerate of the laws of mechanics than his neighbor. Another has more slack periods; another still, works overtime. Every possible opportunity exists for the widest variation. Consequently repeat orders come in most irregularly, even though the original purchases were made on the same day.

As long as business is on the up-grade, capitalism is expanding, society on the whole is prosperous, the producer of capital goods—in this case represented by the printing press manufacturer—does not give a farthing for all your fine-spun theories of economics. In a booming, thriving, progressive country where such buoyant life is due primarily to pouncing upon the lavish resources of nature and the brutal exploitation of living labor, enterprises requiring printing presses bloom behind every bush. Orders come sailing in, while the number of producers and the extent of the production itself reaches gigantic proportions.

Periodic unbalances are unpleasant, perhaps fatal to some. The survivors continue on, enlarging their facilities and squeezing out the unfit as capital concentrates in fewer hands. The country is young, from the standpoint of the American producers, and the world is rich, from the standpoint of the European imperialist nations. The banks abound with resources seeking a profitable outlet, and many a printing press manufacturer, figuratively speaking, has financed his competitor with his own reserves and depreciation funds. So did the United States finance its own competitors in the hectic days of lavish foreign loans during the 1920's.

SOCIETY AT A CRITICAL JUNCTURE IN CIVILIZATION

Whenever balance exists between the departments of production and within their own spheres, that is purely accidental. Modern writers are now compelled to admit that the pre-ordained harmony of things as established by the omnipotent Law of Supply and Demand, is just another figment of the classical days of laissez-faire. But to recognize the unfortunate facts because their obtrusive presence cannot be avoided does not necessarily imply that the causal factors are understood. Some who ought to know better refuse to admit that such a causal connection exists between crises and the laws of capitalist economy, or if so, that it is insusceptible of understanding.

Bratt, for example, concedes that "unbalance currently exists. To expect to perfect the mechanism of society so that unbalance will become impossible indicates the worst form of credulity." [23] We may accept his major premise while rejecting his conclusion. Society will leave to Utopians the search for perfection in the mechanism of society, while it can bestir itself to find practical ways to overcome the consequences of unbalance. In fact, society in self-defense is compelled now to apply remedies unthinkable to a former generation. For one thing, Bratt does admit that "our society is fashioned to function automatically."[24] It is now plainly evident that the automatic functioning of the ancient laws of capitalist economy has gone dangerously askew.

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[23] This Unbalanced World—Bratt (1940), p. 193.

The fact is that the laws of capitalist economy never did function in automatic perfection. In the old rugged days of laissez faire and the survival of the fittest in the bitter struggle for existence, the weak or the intransigent were crushed out, or what amounted to the same thing, emigrated to foreign lands or opened up for themselves on vacant land or engaged in petty industry.

Those days are gone. The effects of unbalance today cannot be overcome by the same technique. All that Bratt can plead is for greater information regarding the promise of investment in capital equipment at various points before we try to change the nature of our capitalistic organization.[25]

What a pitiful plea of incompetence and avoidance! In a thousand depositories throughout the land shelves groan with their accumulation of every conceivable scrap of information concerning our economy, pertinent and impertinent. There is nothing Bratt or any one else could ask for that cannot be put on his desk in record time. Of course, this plea is simply one of stalling for more time in the Micawber-like hope that something will eventually turn up.

American economy has been waiting for that something for quite a long while, and all its apologists can think of, is to say to the American people that those who have failed at the helm most miserably when in full command shall now be given another chance to repeat the same process.

GREER'S HAPPY SOLUTION FOR ALL AMERICA'S ILLS

Guy Greer arrives at the same inconclusive result, but from the "progressive" point of view. In a recent discussion upon America's economic problems, he suddenly saw a great light and hastened to let the world know about it in a very respectable journal of opinion.[26] "During the past year or so," he avers, "data have been assembled and verified which show with certainty what is the fundamental cause of our most devastating depressions." If true, that would indeed be a most startling revelation, and the student of society and history becomes intensely alert to follow the course of his argument. It does not take very long to discover that the revelation is new only to its commentator, and that the solution of the problem as he envisages it is just another happy thought which actually occurred to other writers over a century ago.

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[24] Ibid., p. 194.

[25] Ibid., pp. 194-5.

[26] Article in Harper's Magazine, December, 1939.

Greer's main thesis is that in the production and marketing of goods or services enough purchasing power is created to buy it at the price it brings. Every community therefore possesses enough purchasing power to buy the maximum possible of goods and services, provided that a part of the purchasing power was not removed from the market because of savings. Consequently a portion of the social product remains unsalable to the extent that savings accumulate.

Unless these savings can be lured back into private enterprise, stagnation must result and crisis follow. The government then is compelled to step in with relief and other unproductive expenditures, as has been the case. Greer's solution is the creation of a Federal Department of Investments whose duty it will be to assist, as far as possible, the flow of unused capital accumulated from savings into private enterprise so as to maintain both the integrity of our economic system without destroying the essentials of our democratic institutions. In substance, the Department of Investments would lend money to private business, having obtained funds from now fallow capital through the sale of its own bonds fully guaranteed by the government.

What Greer here proposes is actually being done through the Reconstruction Finance Corporation. But that is a minor point. Of paramount significance is the woeful insufficiency his analysis exhibits concerning the internal processes of the capitalist economy for whose sickness he undertakes to diagnose, and prescribe remedies therefore. This, in his judgment, is no bar to his practice on the body politic.

After admitting that the situation behind the facts of the ten year depression is understood, perhaps, only by a few economists, he continues: "Those of us, therefore, who have neither the time nor the peculiar sort of training required to read the learned treatises are going to be bewildered. . . . unless we can get this intricate mass of facts and tendencies into terms simple enough to be understood and seen in something like total perspective." Greer may look at the facts until the end of time without being much the wiser unless he understands the laws of motion which produced those facts in the economic system.

To explode the fallacies of his analysis would require the writing of another learned treatise on the dismal science. Fortunately that is not now necessary. These facts are patent from Greer's position. A million—or billion—dollars in presently created goods or services is not, and cannot, be represented on the other side of the equation by an equivalent sum of purchasing power. The problem of savings here only confuses the issue to the confessedly uninitiated. Even if every dollar of savings were immediately re-employed in productive private and government enterprise the presently created values, say for a year, cannot be reflected in an equivalent purchasing power. That sale and purchase must balance an equation is merely substituting a tautology for an analysis. It is true that every sale is reflected in a purchase, but not all salable goods can find a purchaser.

This fact does not disclose the sum of values on one side or the other. A great part of the current annual product is in a form which cannot be currently taken up as either capital or consumption goods. Producers must set aside a portion of their selling price as a depreciation fund; buyers, too, must set aside a part of their revenues for subsequent purchases of more lasting goods.

Only by accident, and not by inherent necessity, will the mass of previously reserved buying equal the mass of presently deferred buying. Even on the basis of simple capitalist reproduction disequilibrium must exist, assuming that all prior savings were thrust into the market to take the place of current savings.

This disproportion theory is not a recent discovery of Greer in 1940 nor even of Keynes in 1921. Marx in 1861 already spoke of this as "one of the favorite arguments of political economists in explaining productive crises," [27] even on the basis of simple re-production of existing values on the same scale. The fact is that modern civilization could not survive without savings, or the accumulation of capital. Only under the laws of capitalist economy at a certain stage of its development do savings become a hindrance to the smooth functioning of the economic process.

PROGRESSIVE CAPITALISM IS EXPANDING PRODUCTIVE CAPITALISM

But capitalism did not reach its present heights by mere simple reproduction. Its entire history has been one of constant reproduction on an enlarged scale. Temporary break-downs due to the unevenness of its industrial cycle were an accepted evil, but full recovery was always on a scale much higher than the peak of the previous cycle. Again it was the youthfulness of the country and the ease with which abundant resources could be capitalized that led the way toward this exuberance of national energy. Accumulation of capital

[27] Capital—Marx, Vol. II, p. 546; also in Vol. III, pp. 568, 580-7.

was impelled by the technological requirements of an expanding economy. The cobbler and his awl was now translated into the shoe worker on one side confronted by an enormous mass of capital on the other.

Where did this accumulation come from? At this point we recall the pretty fable that once upon a time there were two classes of people—one that spent its money in food, drink and gambling, and thus was turned into the proletariat, while the other was frugal and saved its pennies and practiced all the virtues of abstinence, and finally was rewarded by becoming multi-millionaire owners of all our industries and material wealth, including the mortgages on the farmers' land.

In our discussion of the Period of Industrialization there was indicated the actual process by which capital was accumulated. True, abstinence was practiced, but generally not by those who became the owners of capital. The classes of our population that worked hardest and truly denied themselves many of the commonest pleasures and most of the conveniences of modern civilization in a spirit of abstinence that would have done honor to the Spartans in the days of their glory—these classes were generally the poorest to be found in the land; while those who squandered their income in the most reckless fashion always had plenty more so long as the principal was held intact.

Ah, exclaims the sore-pressed apologist, here is the true secret of abstinence; the capital sum has not been spent. Of course, no one yet has performed the miracle of eating his cake and having it, though the nearest approach to it is eating a lot of cakes and still getting more by the income supplied through the labor of others.

Indubitably, a capitalist who loses his capital ceases to be a capitalist; in which case another owner now steps into the shoes vacated by his predecessor. Instead of capitalist A, we have capitalist B, and while doubtless it is a personal tragedy for A who must now go to work and practice real abstinence, from the standpoint of society it is altogether immaterial in whom the control of capital is now vested.

In political economy we deal with social categories and not with obscure entities. The capitalist class as a class could not go on one grand spree, throw abstinence to the winds, and blow in their whole capital in the jamboree. The great majority of them would encounter considerable difficulty in digesting their banks, railroads, mines, factories and the paper evidences of their title; nor could they very well dispose of them to an outside class who have scarcely the means for living, let alone giving a living to others outside of the normal relations of production where surplus value is created.

Modern capitalism is based not on the production of wealth for the sake of enjoyment, but for the sake of profit; this is a truism everybody repeats, but few appreciate its consequences. Profits are merely an indirect step toward enjoyment, but between the process of their creation and the pleasures of personal spending many important factors intervene. First among them are the laws of competition which compel a constantly high technical organization of capital. Not every capitalist is engaged in gold mining or drilling for oil where, though many fail, the lucky one reaps a rich reward. Most capitalists are in the category of our manufacturer of printing presses. He must plough back into his business a portion of his profits in order to keep abreast of his competitors. It is not because he possesses saint-like virtues that he abstains from spending his entire income. As a matter of fact, many of them do. But common prudence dictates the necessity of maintaining a good credit record.

IRRECONCILABLE CONFLICT BETWEEN SAVINGS AND CONSUMPTION

When the inevitable day of reckoning approaches, he applies to his bank for a loan, or his corporation floats a bond issue, or he buys new equipment on the installment plan. After that deductions are made out of gross income to meet the fixed charges. So-called abstinence, therefore, on the part of capital is a necessity dictated by the laws of capitalist production rather than by the stoical will of the capitalist who yearns for the good things in life like the merest proletarian, but, unlike the latter, generally manages to get them. Consequently, a good portion of the revenues of the capitalists in Department I are not spent for means of consumption in Department II, and to that extent, a considerable quantity of the annual production in that department remains unsold.

But that is not all of the difficulties for the producers of consumption goods. The workers, too, are compelled by circumstances to resort to abstinence on their own account. They must lay aside a sum for future emergencies resulting from the uncertainties of life, besides the certainty that unless they put something away for their old age, they will become a burden on their children, who generally have burdens enough, or wind up in the poor house.

Up to recent times, society in the United States did not deign to consider this question of security in its social aspects. But whether the worker puts his weekly mite in the savings bank, or deposits it with the insurance company, or the government now does it for him in the form of Social Security deductions from the worker's envelope, together with contributions by the employer and the state, the result is the same. A quantity of effective purchasing power is removed from Department II; and in the form of a monetary hoard whether in the hands of government, savings bank or insurance company soon finds itself in part seeking productive employment as capital in Department I.

"That capital accumulation should take place at the expense of consumption," wrote Marx, is, as a general assumption, an illusion contradicting the nature of capitalist production. For it takes for granted that the aim and compelling motive of capitalist production is consumption, instead of the gain of surplus value and its capitalization, in other words, accumulation." [28]

It has already been demonstrated that reproduction on a simple scale is impeded by unevenness in the exchanges between the Departments of production and among themselves. This is further accentuated by the requirements for accumulation, and the stacking up of vast reservoirs of banking capital and investment capital seeking opportunities for profitable employment. Every faint blush of prosperity is fanned into boom-like proportions and the resulting over-extension is followed by a financial stringency and industrial collapse.

Bratt devotes over three hundred pages of his text-book on Business Cycles and Forecasting to the discussion of the factors responsible for crises as the end result of these business cycles. He subjects to critical examination the possible and impossible explanations of such noted theorists as Pigori, Fisher, Hawtrey, Keynes, Harrod, Robertson, Hayek, Schumpeter, Tinbergen and Mitchell.[29] Many of them are so fantastic that future generations, should they ever trouble themselves with their speculations, will find good reason to marvel at both the credulity and the sanity of our age concerning the most important phenomena of everyday life. Bratt's final judgment on these men is that their theories are merely verbal disputes, and when shorn of their verbiage are not novel, and many of them somewhat naïve.[30]

Finally Bratt himself is compelled to present his own theory of crises. He admits that one of the vital factors is an over-production in several important industries. After groping around for a solution he offers the following astounding remedy which is the application to capital goods what leaf-raking was to the unemployed in the early days of work relief.

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[28] Capital—Marx, Vol. II, p. 588.

[29] Business Cycles and Forecasting—Bratt (1940), pp. 275-315.

[30] Business Cycles and Forecasting—Bratt (1940 ed.), p. 380.

TYPICAL WALL STREET THEORETICIAN'S APPROACH TO CURRENT PROBLEMS

"If," he writes, "no amount of rational analysis can give us confidence regarding the future for an adequate period, the appropriate solution is the building of capital equipment of shorter life. This may cost more in the end than highly durable machinery, but it will do so only on the assumption that the machinery can be used for a long period. If it cannot, less durability would be more economical." [31]

The last sentence is a face-saving device. Durability is always figured on the basis of initial cost and lasting qualities. What Bratt actually offers is that mankind proceed forthwith to forget how to produce better metals and build better houses, to forget how to prolong the life of a motor while cheapening its cost, how to make clothes last longer, look more stylish and cost less than they did a generation ago.[32] Let us go back to the days when an automobile was scrapped after running ten thousand uneasy miles, and tires blew out after the first thousand. Those were the glorious days of prosperity when a nickel meant a schooner of beer and entrance to the photo plays and life was carried along on that tenor. If only we could stop producing goods too good, they would sooner have to be replaced.

Yet Bratt does not tell us how in the competitive system which he desires to preserve at such a cost, some producer will not try to remember how things really should be made, and by selling better mouse-traps start the well-beaten path to his door. Of course, Bratt places no reliance upon the voluntary agreement of producers to make goods as poorly as possible when the rewards are so great for turning them out better.

Or would Bratt resort to the strong arm of government to maintain the idyllic system he proposes? If so, he is calling forth a genie which he and his class would fain exorcise in the end. For there are not lacking those who would look to government to throw over the whole rotten system which Bratt would perpetuate long after it had outlived its historic role of freeing the minds of men from the torpor of medieval scholasticism, while putting in their hands the means for their emancipation from the immemorial enemies of mankind—Hunger and Ignorance.

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[31] This Unbalanced World—Bratt (1940), p. 183.

[32] Ibid., p. 206.

One does not have to understand the physiological processes involved in digestion when one experiences the delights of a dinner. If only those capitalists could qualify in their productive system who grasped its inner mechanism, the world would soon suffer from a chronic lack of essential goods. The effects of the inevitable disproportion between the exchanges of capital goods and consumption goods and the transactions within each Department are experienced whether or not we grasp the underlying causes which bring them about.[33] We see on every hand the ubiquitous evidence of its results.

HOOVER'S AND ROOSEVELT'S EMPLOYMENT OF PUBLIC CREDIT THROUGH THE R.F.C.

The usual recovery of earlier days in our history somehow did not materialize after 1929. Efforts of heroic proportions had to be made. Even such an intransigent rugged individualist as Hoover was compelled to recognize the realities for what they were and organized the Reconstruction Finance Corporation to administer first aid to corporations by means of government loans, with the expectation that production would start again, particularly in the capital goods industries.

Later on Roosevelt made use of the same mechanism to stimulate consumption by an extended system of Federal aid to public works financed by the R.F.C. through loans to State and local agencies. It was with particular ill-grace for Hoover later on to criticize the organization of government corporations to finance such public works, relief and agricultural products for which his own Administration was compelled to lead the way.[34] President Roosevelt merely extended that policy to cover people as well as property.

Pump-priming had as its principal objective the start of the flow toward the capital goods industries by stimulating both consumption and production. But powerful as the government is, its active resources are predicated upon and developed out of the very economic system which it strove so earnestly to resuscitate by recourse to its own methods. Funds obtained from loans and taxation are merely a redistribution of title to existing wealth; it is not the direct product

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[33] An American Looks at Karl Marx—Blake (1939), pp. 357-62; 405-8. Blake presents an excellent presentation of the Marxian theory of crises, and posits some interesting questions to budding economists who think they have all the answers.

[34] Article by Herbert Hoover in the Saturday Evening Post, Sept. 8, 1934, p. 6.

of created wealth. The funds may be applied in part to the creation of new wealth, but a large segment of the original amount remains on the books as a social debt payable by government to its creditors.

There is no question that classical recovery in a capitalist economy is effected only by the Hoover way; by private industry taking up the burden of capital reconstruction and addition to plant. But there is equally no question that private industry found the task beyond its powers upon the basis of the historical conditions as they existed after 1929. It is only fair to state that the spokesmen for private enterprise deny the existence of historical limitations to their system, but that does not in the slightest degree change the facts of social evolution, since they themselves are unable to escape its consequences.

The inability of private enterprise to resume its normal course results in the backing up of stagnant reserves in the banking system. At the same time it is noted that the most determined exponents of rugged individualism, the great corporations with actually billion-dollar orders for munitions are turning to the R.F.C. for capital with which to expand their facilities. This caused Emmett F. Connelly, president of the Investment Bankers Association to weep bitterly over the back-sliding of the righteous to the ways of evil, and to offer in his more temperate mood private funds to finance expansion upon terms as reasonable and fair as that of the R.F.C.—almost! [35]

That the banking fraternity had good reason for their despondency, as well as ample justification for their bitter hatred of Roosevelt and all the New Deal stands for, was made evident a few days later when Jesse H. Jones, head of the Reconstruction Finance Corporation announced that it stood ready to lend money to enterprises engaged in armament work at 1½% on bankable government-approved contracts, and at 4% on other defense loans. "This came as a complete surprise to the banking community generally," wrote the Times expert. "In some instances the news was a shock." [36]

No wonder. To these rugged individualists and champions of private enterprise in gouging the government indirectly through exorbitant banking charges, the rate of interest is only one part of their "spread." Long practice in the art has taught them how to tack on a multitude of "legitimate expenses" for so-called investigation, engineering reports, legal fees, not mentioning bonuses concerning which all parties necessarily maintain a discreet silence. In the normal course of business the actual costs of financing seldom are less than ten percent, and more often around twenty percent.

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[35] New York Times, Nov. 20, 1940.

[36] Edward J. Condon in New York Times, Nov. 24, 1940.

Winthrop W. Aldrich reporting as the president of the world's largest commercial bank, the Chase National Bank in New York, revealed the utter stagnation of normal capitalist economy. His bank in 1941 possessed total resources of $3,543,338,000, a gain of $740,000,000 in a single year, and of $1,309,000,000 since 1938. This bank's resources were tied up in $1,098,100,000 of United States Government obligations because no other profitable avenue for investment was open. Lest some might cavil at this pessimistic outlook, Aldrich revealed that the total loans and discounts in due course of business, for this the world's greatest commercial bank, was only $664,189,000, or about one fifth of its available resources. (New York Times Jan. 15, 1941.)

That no ruling class is ever willing to concede that its day is over on the stage of history is evidenced by the reactions of the Wall Street money power to the facts of life which oppress them on every hand. Nor were the New Deal victors in the 1940 election averse to giving them an additional shove where a gentle hint no longer suffices.

So did Jesse H. Jones, Secretary of Commerce and head of the R.F.C. remind the Lords of Creation gathered at the thirty-fourth annual convention of the Association of Life Insurance Presidents that all their open and surreptitious opposition to the New Deal will be of no avail. He cautioned these profound master minds and very pillars of society that America could get along fairly well even if they indulged in a financial sit-down strike, because the R.F.C. stood ready to supply all legitimate enterprise with whatever funds it required at rates that are in accord with the realities of the times. (New York Times Dec. 6, 1940.)

Those geniuses assembled at the conclave did not like it, but there was nothing they could do about it. The time was gone when they could ring up the White House and have the Secretary fired forthwith. They doubtless entertained genuine misgivings that the Boss was of the same mind as his help—or even worse.

Every proof one could require to support the contention that the financial system of the nation is now firmly in the hands of the nation, was offered by the daily transactions in the Holy of Holies among the once puissant masters of America—the New York Stock Exchange. Where the volume of trading in the stock market had reached the stupendous figure of 1,124,990,980 shares in 1929, in 1940 it had fallen down to a mere 207,605,359. (New York Times January 1, 1941.) As a consequence of this stagnation a seat in the Stock Exchange which in 1929 sold for $625,000 was worth only $32,000 in 1940. (N. Y. Times Dec. 27, 1940.)

And somehow the country survived this calamity. No more do apologists avow that the welfare of the nation depends upon the prosperity of Wall Street. Business in the early part of 1941 had already over-reached the hitherto unattainable heights of 1929, without the ministrations of those financial wizards or the blessings of its high priests. These very Lords who listened uneasily to Jones speaking with easy assurance about the future had but recently emerged the losers in a hard-fought campaign where they staked everything on the victory of their man Willkie. The time is not far distant when the paraphernalia of the Stock Exchange will become museum pieces among the other collections of our historic past.

Far from government spending depleting the financial resources of the nation, the banking system today actually over-flows with resources for which there is no outlet. The report of the Federal Deposit Insurance Corporation showed an increase of deposits of 12 percent during the past year to the stupendous figure of $58,425,000,000. Holdings of United States Government obligations and obligations guaranteed by the government amounted to almost $16,000,000,000, while another $3,500,000,000 of State and local securities were held. Private enterprise simply did not afford an opportunity for profitable investment of these funds.[37]

On top of this all, the Federal Reserve System reported that the excess reserves of member banks on August 28, 1940 were estimated to be approximately $6,500,000,000. Despite the raising of the ratio of legal reserves during the past year, these excess reserves actually increased over $1,500,000,000. This followed in the face of the current prosperity due to war orders from abroad, and the extensive preparations for possible war under way in America. A financial expert stated that 41.7% of the assets in Wall Street banks at a definite time were idle for lack of credit opportunities.[38]

CHRONIC SURPLUSES EVIDENCE OF CAPITALISM'S STAGNATION

Capital resources are seen to accumlate faster than they can be utilized; and this despite every evidence that this country is far from finished, far from supplying vast numbers of its people with even the minimum standards which even capitalist civilization demands for its self-respect. On every hand we see the paradox which brings the blush of shame to every student of contemporary society, where unused surpluses lie fallow while millions of our people crave the opportunity to fructify these resources by labor of brain and hand.

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[37] New York Times, Aug. 29, 1940.

[38] Edward J. Condon in New York Times, Apr. 7, 1940.

"Such a surplus," observed Marx, "is not an evil in itself, but it is an evil under the capitalist system of production." [39] The same thinker also remarked that "the last cause of all real crises always remains the poverty and restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way, that only the absolute power of consumption of the entire society would be their limit." [40]

The United States upon the basis of capitalist economy reached its highest peacetime production-consumption level in 1929. While the average of its production was again reached in 1937, account must be taken of the increase in population during the interim, of the heightened capacity to produce due to technological development, induced, paradoxically enough, by the depression, and of the great unevenness of its distribution in view of the status of the millions of unemployed and the condition of the farmer population.

This problem of a surplus in consumption goods would not down. Various schemes were devised for their limitation and free distribution of part of the excess. Both are revolting to our inner sense of decency, yet both are made necessary by the existing social arrangements.

In an editorial appropriately entitled "The Wheat Crop Enigma," the New York Times points out the glum prospect created by the fact that the current crop promises to match the good harvest of last season. It seems, in this topsy-turvy world, that the experts sadly misjudged the yield in their earlier estimates, and that instead of a deficiency to warm the speculator's heart, Nature and Nature's God have cursed us with a too bounteous yield. The carry-over from last year was 284,000,000 bushels, and with the present harvest it will reach 370,000,000.[41] Consequently the current price in Chicago was seventy cents a bushel.

Our cup of sorrow is not yet drained. "The corn crop, too, promises to fall into the average class." [42] This will add to a record carry-over and threatens to play havoc with the market. Since corn and hogs are sometimes interchangeable, it is not strange to note a baffling accumulation of surplus lard.

But there is no surcease to the nation's misfortunes. Even when a basic crop falls far below a long-term average, that does not at all ease our economic woes. It appeared that the 1940 cotton crop was to be "at substantially below the ten-year average," yet the conditions in the export market due to war, to blockade and counter-blockade do not hold forth much promise to domestic producers of the staple. The carry-over from last season was estimated at 10,750,000 bales. What a blessing if a combination of flood, drought and boll-weevil would have destroyed the entire 1940 crop!

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[39] Capital—Marx, Vol. II, p. 546.

[40] Capital—Marx, Vol. III, p. 568.

[41] New York Times, Aug. 17, 1940.

[42] Roland M. Jones, article in New York Times, Aug. 4, 1940.

However, we can derive a measure of comfort from the knowledge that other capitalist nations were in the same boat. Take the case of Brazil. In the four years preceding 1940 its coffee yield had averaged 20,000,000 bags annually, while her exports averaged less than 16,000,000. In an effort to rid the country of price-depressing surpluses, Brazil had destroyed, by burning, approximately 70,000,000 bags of coffee since 1931.[43]

Despite these heroic efforts, the same laws of capitalist economy which we saw operating to bedevil the A.A.A. program in the United States exerted their influence in far-away Brazil to destroy the stabilization program of its government. Their authorities were considering a program of crop diversification, of up-rooting their trees and sowing the soil to—guess what!—wheat, corn and cotton, of which the United States possesses such an over-abundance.

This inspired the thought among some that since the United States imports so much coffee, would it not be a wise move to exchange our cotton, wheat and corn surpluses for the coffee of Brazil?

It was a very brilliant idea, worthy of a college professor, but unfortunately not a practical one. For it appeared that Brazil does not want cotton, wheat and corn for its own consumption so much as to have a more diversified export of staples instead of putting all its eggs in one basket. "Looking to the future," writes Robert F. Martin in a study for the National Industrial Conference Board, "it appears that Brazil will have to continue for some time destroying a fourth to a fifth of its coffee production until some means of reducing productive capacity is found." [44]

Modern capitalism knows only one method—destruction of commodities, just as on the political field it knows only one cure—war and the appalling destruction of life and the accumulated property of the ages.

In the old days of laissez faire this destruction would have taken place by the operation of Darwinian principles among the survivors. Today the producers of staples and manufactures the world over look to government to stabilize prices at a level so that enormous quantities of capital in the lower ranges of economic productivity should not have to be scrapped needlessly.

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[43] New York Times, Aug. 18, 1940.

[44] International Raw Commodity Price Control—Martin (1937), p. 89.

WORLD-WIDE FAILURE OF GOVERNMENT ATTEMPT TO CONTROL SURPLUSES

Among the basic raw commodities of the world which at one time or another have been subjected to government control with a view to their limitation, or to private agreements for the same purpose made effective by government support, are cotton, wheat, sugar, coffee, rubber, silk, tea, copper and tin. While in the era of laissez faire the United States played a preponderant role in cotton, wheat and copper export, that position has since been lost.

In turn, the United States has itself been victimized by unconscionable practices through price manipulation of raw materials it imports in large quantities. The most reprehensible of these was the Stevenson scheme for the control of crude rubber export. In time the price was raised from fifteen cents a pound to well over a dollar a pound,[45] reaching a maximum of $1.30.

Unfortunately for these schemes, capitalist economy is not wanting in means for counter-acting the raids of its more voracious members. The United States embarked upon a program for rubber conservation, for increased utilization of reclaimed rubber, and for creating rubber plantations under control of its own capital, as did Ford in Brazil and Firestone in Liberia. Besides, a competitive struggle arose between British and Dutch rubber growers, and after some initial agreement, both parted company in 1932.

Nevertheless, just as the skies of the New World were blackened with the acrid smoke of burning coffee, so did the skies of the Oldest World darken to huge masses of rubber consumed in flames so that the price to the consumer of the remainder might be artificially sustained.

Under a rational system of socialized world economy, these problems could not arise, since the entire problem of production on a marginal basis of value would not exist. Enough would be made use of, and the surplus stored to be consumed as needed. Excess production would simply stop by resting the soil, or eliminating marginal lands, without entailing the enormous losses to individual owners under the hybrid laissez faire policy with government support, as today.

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[45] International Raw Commodity Price Control—Martin (1937), p. 95.

MARTIN'S THREE SOLUTIONS FOR SURPLUSES IN BASIC COMMODITIES

Concerning the outlook on the basis of capitalist economy, Martin sees only three ways out of the dilemma. The first is to allow the normal operation of supply and demand; the second is to fumble along, as now, with fluctuating policies of government restriction, subvention and surplus destruction; and third, for direct and unequivocal state planning, with state dictation to individual producers as to how much they must produce, or they will be allowed to market.[46]

The first proposal is impossible. There is too much capital tied up in producing property and capital claims to allow the ruthless destruction of billions of property and those financially dependent upon them. As to the third policy of absolute state dictation to private producers, that is a purely academic conception of the schoolmaster who teaches economics as he would a proposition in Euclid.

Whenever a modern state reaches the point where such authority is employed, the scientific historian can tell Mr. Martin that the private producer has become such in name only, and classic capitalist economy has ceased to function in that State. Of such a character is the state type in Germany and Italy, but not in the Soviet Union where all basic production, practically, is socialized. However, there the state itself seems to be incorporated in the individuality of one man.

The difficulty with the second method of government control which now obtains in the United States is explained by Martin himself when he states that "it must force curtailment by low-cost and high-cost producers alike, and must support the vested interests in production, since its only possible basis for allocating reductions is that of past production performance. A monopoly of benefits for those already in the business is thus established." [47]

Perhaps these experts know what really ought to be done; not in a schematic, Utopian sort of way, but a practical program derived from all the realities of the situation. If they do know, it is prudent for them to keep quiet. Usually they don't know, for the simple reason that in this age of specialization the economist knows not of history, while neither the historian nor the economist is expected to have ideas on the future tendency of social development. This they leave to the statesman who knows much of politics but little of political economy or of the history in this rigamarole of laissez-faire culture.

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[46] International Raw Commodity Price Control (1937), pp. 14-15.

[47] International Raw Commodity Price Control—Martin, p. 13 (1937).

HULL'S INEPT INTERNATIONAL ECONOMIC POLICY

America in her maturity has been singularly unfortunate in her statesmanship, in the formal meaning of that term. Secretary of State Hull is merely the latest of a long line of distinguished occupants of a post immortalized by such men as Thomas Jefferson, John Jay, John Marshall, James Madison, James Monroe, John Quincy Adams and Henry Clay.

In more recent years the well-meaning Bryan made his bid for immortality by signing a slew of arbitration agreements with almost every potentate on earth—just prior to our entry into the First World War. Woodrow Wilson acted as his own Foreign Minister at Versailles where the League of Nations was ushered in to signalize the dawn of a new era for mankind where war for all practical purposes was to be forever banned from the earth. A few years later the astute Hughes sat down with the world diplomats at Washington in that famous game of strip poker at the Naval Conference from which he escaped with little else but his suspenders and his beard. Kellogg attempted the same bid for immortality in that school-boyish Pact of Paris which was to outlaw war forever as an instrument of national policy.

Now comes Cordell Hull as Roosevelt's chief Cabinet officer who feels the urge of his predecessors to attain the goal of the gods. He entered upon his high quest at a time when industry was at its lowest ebb. Surpluses of all kinds were piled up. Besides, he was a Democrat of the old school, the Southern school. His economics was of the vintage of Adam Smith. Tariffs were an abomination. They were artificial, man-made barriers that impeded the free and normal flow of trade. The remedy? Simplicity itself: Reduce these tariff barriers, since they cannot be eliminated entirely due to the cussedness of man's nature. That was the purpose behind the Trade Agreements Act which he advocated so earnestly.

The basic idea behind the act was to stimulate trade by empowering the Chief Executive to proclaim modifications of tariff rates through the negotiation of reciprocal trade-agreements between the respective nations and ourselves. The dogma on which this policy was based was "that exports and imports are interdependent; nations cannot sell without buying. The promotion of our exports cannot be divorced from the treatment we accord to our imports and vice versa." [48]

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[48] Statement by Secretary Hull before the House Ways and Means Committee; reported in New York Times, Jan. 12, 1940.

If by interdependence Hull meant that for every buyer there must be a seller, he is substituting a merest tautology for an analysis. In the long run, it is true, exports must be balanced by imports, of goods or gold, but it makes all the difference in the world to American producers whether that balance is effected by our debtor sending us his competitive products, or non-competitive products; or triangular trade effects an equilibrium; or whether that balance is settled by sending gold, or is effected by formal and informal repudiation of his obligations.

Secretary Hull's detailed defense before a Congressional Committee on the influence of trade pacts as essential aids for our economic recovery and the preservation of peace due to the preponderant influence of the economic factor in international relations, is the blundering application of economic determinism to human affairs by a political theorist who inherently rejects the Beard thesis in history. Were one content merely to score a point, one could refer to the facts of the existing world situation which have admittedly rendered obsolete all of Mr. Hull's carefully nurtured trade agreements.

The editor of the New York Times, as befits the mouthpiece of finance capital, was long a champion of the blessings conferred by any scheme which would allow for the reduction of tariff barriers and thus make easier the settlement by foreign debtors of their obligations to American creditors. Writing sadly of the fact that even Willkie, a former enthusiastic supporter of trade pacts now admits that the Hull treaties are obsolete, the editor concluded: "At the moment the issue may be dead; but in the long run, and in the postwar years, we shall have to face the choice between autarchy and the preservation of an international capitalism based on freer trade, and our own hope is that Mr. Willkie's views will prevail over those of his alternate in the councils of the Republican Party." [49] The last remark was occasioned by the fact that Charles L. McNary, candidate for Vice President on the same ticket with Willkie was an outspoken opponent of that trade pact philosophy with its inevitable lowering of tariff barriers to the harm of American producers.

THE FACTS OF LIFE BELIE THE THEORIES OF CORDELL HULL

This brings to the fore a very interesting question. Secretary Hull in the speech already referred to before the House Ways and Means Committee asserted with emphasis and undoubted sincerity that if there was any suspicion in his mind that the trade agreements pro-

[49] New York Times, Aug. 28, 1940.

gram would hurt rather than benefit our people, he would be the first to abandon it. Blindness has its physical and its intellectual aspects. He had searched diligently and painstakingly through the mass of evidence on all phases of this vital question, and was firmly convinced that it pointed overwhelmingly to the beneficial nature of the program and to the dangers inherent in its weakening or abandonment.[50]

In a publication sponsored by the Carnegie Endowment for International Peace, Larkin tells us of a meeting under the auspices of the lace workers of Rhode Island held but a few weeks prior to the Secretary's address, where vehement opposition was expressed by both labor and capital to the trade agreement with France by which the tariff barriers were let down against the lace manufacturers of that country in competition with our own products in the domestic market.[51] It is an interesting side-line that Governor Vanderbilt addressed this meeting, speaking for the industry as a whole, with the support of the manufacturers as well as that of the workers in that field.

The question properly arises, how can it be possible for such a radical divergence of opinion to exist on matters so readily susceptible of proof both factually and theoretically as in the instant problem of the effect upon domestic lace producers of competitive products of France? It is the age-old infirmity of man who describes honestly the face of the medallion as it presents itself to him, and as sincerely condemns as a fool or a knave the other who looks at the same medallion but from the reverse side.

It is the most difficult thing in the world to get people to look at both sides of the same issue, and this is enhanced by the fact that often it is impossible on practical, moral, economic and ethical grounds for one side or the other to change places with the adversary and view matters from the same light.

The far-sighted editor of the New York Times considers the issue in its proper historic relation when he states that the problem of freer trade is one between autarchy as represented by the totalitarian powers and of the preservation of international capitalism as represented by the so-called democratic powers. Secretary Hull views the matter from the position of the Adam Smith school of free trade.

Larkin's position is that of the typical ivy-towered scholastic who reads of the abuses inherent in tariff juggling, such as the rate imposed on the importation of a particular type of cotton glove commonly worn by policemen and used in the United States army which practically assured one dealer a monopoly of the business.[52] He is for trade agreements because all the pertinent facts are sought from and supplied by the interested parties in a truly democratic manner, and then triumphantly adopted in spite of the opposition of the American Tariff League and its president, William L. Munro.[53]

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[50] New York Times, part VIII of address, Jan. 12, 1940.

[51] Trade Agreements—Larkin (1940), pp. 8-9.

SCIENTIFIC APPROACH TO CURRENT INTERNATIONAL ECONOMIC PROBLEMS

The scientific historian looks at the same question from a totally different position. This position has nothing to do with his subjective reactions. If one asks how is it possible for a thinker to divest himself of all his prejudices and preconceptions, the reply is, that such is the inexorable demand of the scientific method. Unless a thinker is willing and capable of wooing science upon her own terms, his quest is bound to be in vain. No man ever approached his scientific quest without a multitude of preconceptions. But above all, the external realities and the controlling laws in the phenomena must be decisive in determining the issue.

In this case, the issue clearly is between those who think they can preserve international capitalism and those who believe that capitalism has outlived its progressive development, and that nothing but world stagnation and ultimate regression must follow if that mode of economy continues to prevail as the dominant factor in world affairs.

This clear-cut issue is cleverly obscured by the astute editorial writer who limits the problem closely as one between democracy and autarchy as it flourished before Nazi Germany determined to burst its restraining bounds. Another and a higher type of social organization where these questions will be settled is possible—and not only possible but imminent if we are to maintain intact our substantially democratic institutions in the United States; a mode of production which will be as superior to capitalism in its benefits to mankind, as that was to the feudal economy which it replaced.

In this issue, the role of Secretary Hull and the opinion he represents is that of an earnest seeker for the common good who would not hesitate to abandon his program if he could be convinced that it cannot achieve the desired goal of bringing greater security and happiness to our people, and spreading its blessings by diffusion to the other peoples of the world. The New York Times is the more astute and determined adversary. It, too, speaks for the welfare of the nation and the world; its type of a class world. It is just as sincere in the advocacy of freer trade as is Secretary Hull.

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[52] Trade Agreements—Larkin (1940), p. 101.

[53] Ibid., p. 125.

But for all its silky smooth phrases there exists this fundamental dissimilarity between them. Secretary Hull appears to stand ready to abandon his position if it proves harmful to the interests of the American people; the New York Times and the social forces it represents will remain intransigent and fight from position to position to the last ditch in defense of the social system of which it is the most enlightened and most determined defender.

It is beside the point that it would probably be just as difficult to convince Hull of the inherent defects of his program as it would be to compel from the Times an admission of its primary devotion to the economic system for which it is such an eloquent and subtle champion. But the real difference in their respective intellectual position can be observed by their public stand on concrete measures. Secretary Hull will be found to support economic measures in the genuine spirit of the New Deal while stoutly proclaiming his loyalty to abstract economic freedom. The Times will as vehemently oppose them, uttering meanwhile the sacramental formula of devotion to the formal ideologies of an historical epoch now rapidly passing, but which it strives, for obvious reasons, to maintain at whatever cost to the masses of our people.

CAPITALISM FACES AUTARCHIC TOTALITARIANISM

We are not concerned now with the subtleties of interested apologetics. The American people possess the intelligence to judge for themselves once the issue is properly presented before them. It is our aim to present the trade-pact position of Secretary Hull because it represents the last effort of international capitalism to survive along the classic lines of its economic and social system, regardless as to whether or not its champions are conscious of the historic role they are enacting.

The philosophy of international agreements among competitive national units dates back to the beginning of the twentieth century when it became evident that virile national capitalism had reached to the point where imperialistic expansion was necessary for its continued existence. Before that time gentlemen's agreements and treaties detailing their respective spheres of influence were sufficient.

But while capitalism is international in its scope, the basis of its economic power is predicated upon the national state. We have seen that the modern national state was the product of capitalist economy. It is only incidentally that the state has adopted a democratic form in some countries; in essence the political national state form was evolved by the paramount requirements of capitalism in its internal relations, while it gradually became as an effective organ for the protection of its interests on the world scale.

For that reason a peculiar halo has surrounded the national merchant man, his goods, his ship and his invested dollar in foreign lands. For its protection dollar diplomacy was invented. When the first World War broke out, the enlightened statesmanship of the status quo supported the League of Nations and the World Court for the adjudication of disputes. We noted the collapse of both programs precisely on the ground that capitalist economy while international in its interests is predicated on the national state form, and no capitalist nation would dare surrender its sovereignty to a super world-state if it hoped to maintain its economy at the zenith of its powers.

The United States resolutely opposed any scheme which would create an effective, armed world force to carry out the dictates of the League of Nations. For that reason the Senate supported by the overwhelming sentiment of the people refused to subscribe to the Covenant of the League with or without reservations. While we were prepared to join the World Court, this was hedged around with reservations which nullified its purpose; such as where we refused to submit to its arbitrament on questions which we asserted, unilaterally, were affected with a vital American interest, and those where we specifically denied to the World Court jurisdiction over any question wherein the Monroe Doctrine was involved. The far-sighted economic statesmanship as represented by the Times recognizes the importance of overcoming national barriers to capitalist economic processes; yet is unable to solve the contradiction of the national state upon which rests the ultimate strength of modern capitalism.

Some tawdry apologetic might try to show that not all modern national states are capitalistic or imperialistic in the classical sense. It can be demonstrated that the feudal militarist classes of Japan are the backbone of its present-day nationalism, while Indian national independence has behind it the idealism of a Ghandi and the movement for which he speaks.

Our analysis is not based on the abstract assertion that all national states regardless of time, place and circumstance, are the devilish invention of capitalist agents. In that case, then, the aristocratic Washington and the popular-minded Jefferson were both the subtle agents of capitalism. The argument here presented is that capitalism is predicated upon the existence of the national state, irrespective of the question who, how and what brought that state into existence.

FAILURE OF HULL'S TRADE PACTS

Since Secretary Hull's program was the last rational bid of enlightened statesmanship to compose the world's differences on a basis of mutually advantageous economic arrangements, it is important to analyze its theoretical position. We should note, however, that the Roosevelt Administration while giving it full support, did not bank too heavily on it, but proceeded in its usual pragmatic fashion of trying this tack and that in the hope that something would catch on. Meanwhile they were prudently holding on to the main fort, which is the protection of the national interests both here and abroad.

Hull's statement began with the fact that before the Second World War broke out trade barriers of every kind, new and old, multiplied egregiously. Unsalable surpluses dammed up everywhere, causing a drastic decline of international trade both in volume and value, with repercussions in crisis, depression and wide-spread human suffering everywhere.

There is nothing new in this, of course, but it is the forerunner of some important analyses as to their cause. Hull goes on to say that the real situation was obscured for a decade after the First World War by the reckless policy of international borrowing and lending in which the United States played the principal sucker role. Hull did not say that in such explicit terms. He merely implied as much.

His entire analysis of the 1920's smacks of the wisdom after the event. Neither he nor the New York Times was heard to complain then of the reckless policy of lending lavishly to buyers the means with which to purchase our products, and to competitors the means with which to produce their commodities for the same markets we supplied. We were then living in the New Era phase of Permanent Prosperity under capitalism, and only few then were critical of this policy of giving away our national substance to the first foreign applicant.

By an amazing mental lapse Hull lauded in the very same statement the foreign trade aspect of the reckless loan policy he now condemned. "At the bottom of the depression, our foreign trade—exports and imports combined—amounted to less than $3,000,000,000 a year, as compared with the pre-depression level of more than

$9,000,000,000. Billions of dollars of lost business activity had to be regained, if recovery was to be attained and economic progress resumed." [54] Our sales abroad fell from $5,200,000,000 in 1929 to a mere $1,600,000,000 in 1932. Yet Hull glided over the inconvenient fact that this great disparity in trade which he viewed with alarm was stimulated almost wholly by the lavish lending policy he had previously condemned.

After six years of trying, and with the beneficent aid of war orders, the United States had not yet reached the trade goal toward which Hull pointed so wistfully. Of course, that record could have been easily equalled and then surpassed if the Treasury and the money marts of the nation were again opened for the hungry maws of the European imperialist powers.

Hull argued that contrary to all theories of autarchy and economic self-containment, domestic prosperity was still tied with the condition of its foreign trade. Once more we see a meaningless generalization in absolute terms without relation to particular conditions.

That Germany and England require access to foreign markets or they die is a condition of their geography and their resources, except that it makes a tremendous difference as to which of these nations succumb. During the republican regime of the German Second Reich, the screws of economic isolation were rigidly applied to the vanquished power. It is these very same people who are now so bitter against Hitler who made his advent to power possible by their absurd economic policies, and in any event made the economic collapse of Republican Germany inevitable. Autarchy is not the kind of policy a nation resorts to unless driven to it from sheer desperation in an effort toward self-preservation.

Surely the United States is more self-reliant than any other among the Great Powers of the world; yet we resort, if unwillingly, to substitutes for rubber, tin and silk as a matter of necessity, and not of choice. Autarchy is dictated by the imperative need for possessing under convenient political control, within one's boundaries if possible, the means for national preservation. For that reason Germany was compelled to enter into various barter agreements where economic considerations of profit and loss were ruthlessly sacrificed in order to provide valuta for securing the missing elements so essential to its national defense.

Nor was that country alone in the pursuit of such policies. Each nation in its own way looked to its defenses first. Only, in modern times the conception of national defense takes the form not only of military supplies and the men to use them, but what is of even greater importance, the means with which to replace the instruments of war as they become exhausted in the intense tempo of total warfare. In order to conserve its economic self-sufficiency and to bolster up the means of self-defense, every capitalist nation since the close of the First World War directed its trade restrictions and entered into trade agreements with such an eventuality uppermost in mind, hoping all the while that by adequate diplomatic support in the way of political agreements this eventuality could be postponed, if not obviated entirely.

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[54] Part I of Secretary Hull's statement, New York Times, Jan. 12, 1940.

Among the more common economic measures resorted to were higher tariffs, embargoes, quota arrangements, import licenses, exchange controls, and numerous devices for preventing a class of imports from abroad that would undermine the national capacity for defense production. Another complementary method was to divert international commerce from the accustomed channels dictated by classic economic laws, into channels now made necessary by the supreme requirements of national policy regardless of economic loss.

The totalitarian powers could accomplish this in greater measure than was the case with the profit-loving classic capitalist nations. But capitalism in both types of nations had to yield in a greater or a lesser measure to the preponderant requirements of national policy. Laissez faire was rapidly expiring among the dictatorships, but it was breathing heavily, too, in the so-called democracies.

INEPTNESS OF THE AMERICAN WORLD ECONOMIC PROGRAM

After recounting the difficulties in the way of achieving substantial unanimity among the important world producers for a general reduction of tariff barriers, and adverting to the fallacy of setting a good example by our unilateral action in that direction with the hope that other nations will follow, Hull advanced the policy of negotiating mutually beneficial trade agreements with individual countries based upon a reciprocal reduction of excessive trade barriers. He did not tell what is meant by that diplomatic term, excessive barriers.

It is obvious that in his general economic philosophy as based on the most recent findings of one, Adam Smith, all tariff policies in the past, present and future until Judgment Day are the inventions of Beelzebub and his disciples. In this he is supported by the weight of scholastic opinion who derive their theoretical knowledge of political economy from that same infallible source. Of such is the recent work of Larkin who contrasts the policy of public participation in the drafting of trade agreements to the tricky methods of traditional Congressional procedure in this sort of legislation.[55]

Thus were concluded twenty-two reciprocal trade agreements with countries representing 60 percent of our total foreign trade. The results were astounding, nay miraculous! Does one want the figures? Hull is only too glad to present them. After modestly disclaiming that the trade pacts were solely responsible for what the figures told, he spread the statistics thick so that it would seep into the hardest skull by their sheer weight.

Take the farmers, for example: "By the end of 1932, after two and one-half years of Hawley-Smoot tariff embargoes, farm cash income had declined from $11,200,000,000 to $4,700,000,000. By 1938, after four years of the trade agreements program, it had risen to $7,600,000,000 excluding benefit payments. Does this indicate injury?" [56] he asks in tones of injured innocence, not to say of devilishly sly restraint. The entire world is expected to shout in moronic unison: "Of course not!" They do not want any more details, and besides are bored with explanations made in words beyond two syllables in a theory that contains more than two factors and in an analysis that takes more than two minutes.

But Secretary Hull's luscious naivete does not end there. He lets one know quite firmly of the rise in the national income from $40,000,000,000 in 1932 to $64,000,000,000 in 1938 and $68,500,000,000 in 1939. Of course he admits that one or two other reasons might have had something to do with it, "but," he adds, "I do maintain that the increase of our exports has been a factor of great importance in this connection, just as the catastrophic decline of trade under the Hawley-Smoot tariff had unquestionably contributed powerfully to the general economic collapse of the early Thirties." [57]

After this exceptionally clear and specific analysis of national and world economic trends, Secretary Hull thereby demonstrated his eminent qualifications as being just the right man to guide the destinies of the nation in its detailed relations with the rest of the world. Understanding with such impressive lucidity the internal problems of his own country, it is most natural that he should cast his forensic eye over external problems arising from our necessary world contacts. He is now the recognized authority, or ought to be, on all world questions involving production, trade, autarchy, fascism, nazism, and communism, let alone the particular specialty of every

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[55] Trade Agreements—Larkin (1940), pp. 75-81, 94-98.

[56] Section IV of Hull's statement before House Ways and Means Committee, Jan. 11, 1940.

[57] Section IV of Hull's statement, New York Times, Jan. 12, 1940.

American Secretary of State, the Monroe Doctrine with its perennially iridescent and ever-changing aspects.

Autarchy is ruled out. Nations are interdependent. That great, eternal truth is made to shine out with the clearness of the North Star. What a beautiful phrase—nations are interdependent! Did anybody ever think of that before? That being the case, everything else is simple. Let each nation produce that for which it is most suited, and mutually exchange their products with each other.

A TOTALITARIAN REPLIES TO HULL

Can anybody raise objection to that? But wait, a voice is heard, metaphorically, of course. It is somewhat strident and guttural. This voice speaks for Germany present, and if Hull has his way, Germany future. It tells that Germany is capable of producing dive-bombers, tanks and submarines as good, if not better than anyone else, and much cheaper, besides something new and more modern in armaments. Germany therefore wants the privilege of producing them for the rest of the world.

An uneasy stir is heard from the region of Germany's neighbors, while the ever friendly John Bull gets up somewhat clumsily and drawls in the famous nonchalant Oxford accent that he thinks with a little time and experience he can turn out anything as good and as cheap as his friend across the sea. And then, as a mere afterthought, he asks the privilege of patrolling the seas because he's done it for quite a while, and besides he has the special kind of ships and the means for producing more of them; however, not for sale, if you get what he means.

These minor interruptions do not diminish Hull's equanimity, who goes on to say that a peaceful world is possible only when there exists an active and mutually beneficial trade among nations. A destructive protectionism followed the close of the First World War. "Are we prepared to play this same role again," at the close of the Second? Not if Hull can get there first with his pacts—in this case, trade pacts. "The creation of such a foundation is the second of the two primary objectives of the trade-agreements program, which seeks the advancement of our domestic prosperity and the promotion of world peace." [58]

In normal times such harmless persons are left to wander around college campuses to teach our youth how best to meet the future for which they are preparing. Fortunately for those young people they promptly divest themselves of this college learning upon contact with the realities of life. But a man of Hull's vagaries becomes a positive hindrance in the busy traffic of our world marts and should be removed for his own safety, as well as for that of the intent men of affairs who have real business along the highways of the world's commerce.

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[58] Section VII of Hull's statement, New York Times, Jan. 12, 1940.

FAILURE OF THE HAVANA PAN-AMERICAN CONFERENCE

Probably the matter would not be so pressing if traffic were not so heavy, the drivers so uncertain, and the curves and turns so devious on the international scene. But this is no time for such vagaries.

The Pan-American Conference held at Havana in July, 1940 was a case in point of the dangers which inhere in economic and political programs that bear no relation to the actualities of existence. The history of this conference is a perfect illustration of the fallacy in the pragmatical approach to international problems. After the astounding collapse of France before the Nazi onslaught, a wave of apprehension was experienced in the United States concerning the possibilities to us in the complete defeat of the Allies, which then appeared inevitable following the disastrous retreat of the English from Flanders.

We began to take stock of our own unpreparedness, the consequence of twenty years of the most futile and short-sighted foreign policy that ever paved the way for a nation's rebuke in the only effective way that such lessons are taught. A gigantic program for rearmament was immediately undertaken.

Part of this program was preparation for the defense of the Western Hemisphere against possible attack, but surely from the economic and political penetration of a victorious Nazi Germany in South America. The semi-Socialistic government of Cardenas in Mexico [59] secured our southern border; Canada had every reason to welcome President Roosevelt's assurance "that the people of the United States will not stand idly by if domination of Canadian soil is threatened by any other empire." [60]

So long as the British navy was in English control—to such a pass had our blind foreign policy led us beginning with Hughes' "master stroke" at the Washington Naval Conference—our Eastern coast was secure, while the American fleet kept watch upon the Pacific in the general direction of Japan. There was now the unexpected spectre of England surrendering her fleet to Germany as France appeared in effect to do by the terms of the armistice imposed by Hitler. What if the Allied colonies in the Western Hemisphere should fall into the hands of our arch enemy? The danger was real, and the time for action was now, immediately.

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[59] The United States in World Affairs in 1937—Shepardson, p. 120-5; (1938), p. 229.

[60] Roosevelt's speech at Kingston, Canada; In World Affairs, 1938—Shepardson, p. 218.

Under the impulse of these emotions there was announced in Washington, among other measures, the launching of a Pan-American movement for the preservation of the Western Hemisphere against the onslaught of European totalitarian powers. A conference call was issued to the twenty-one sister republics to meet at Havana.

At the same time it was announced that the United States stood ready to finance a $2,000,000,000 cartel for the purpose of controlling the exports and imports of the Western Hemisphere, with emphasis on Latin America, in order to preclude the possibility of German economic hegemony in that area, and consequent political domination. The very manner in which this economic program was announced indicated an astonishing ignorance of the problems involved. Perhaps this should be modified by the statement that nothing which emanates from the inner circles of Washington relative to economic problems should be the cause of undue astonishment. After all, this is a rich country. But still two billion dollars is a lot of money, even for the United States.

Everything about this program was indefinite except the amount of money we stood ready to pour into the scheme. "So far the program has been disclosed only in vague form," wrote J. H. Carmical at the time. "Nevertheless, based on official and semi-official statements from Washington, the plan provides for the formation of an organization in which the United States Government will furnish most, if not all of the capital necessary to carry out the venture, which briefly is, to buy all the surplus products of the co-operating nations and dispose of them in the export markets. In addition, it will purchase all the imports required by these nations." [61] The writer then goes on to ask how Latin-America and the United States which both have the same agricultural products and oil to sell in the same export markets, are going to solve the problem in view of the surpluses which bedevil their home countries.

DIVERS OPINIONS ON AMERICAN FOREIGN POLICY

Others, too, began to ask questions as to the effects, political and otherwise, upon the Latin-American republics who would place their economic independence in the trusteeship of the Colossus of the North.

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[61] Article in New York Times July 14, 1940.

A foreign commentator, Carlos J. Videla analyzed the maze of generalities and platitudes contained in the official communications and came to the grim conclusion that an economic cartel is definitely out, and that the Havana conference at which twenty-one more or less independent Republics would gather, would not adjourn with one Republic left surrounded by twenty willing satellites.[62]

A leading Times editorial pointed out the absurdity of the United States financing its competitors in products where it suffers from a surplus. The United States as the real manager of the cartel would have to dispose of these hemispheric exports in some way, either by dumping them at a loss, or destroying the excess. "We would hold the bag, in short, for the rest of the hemisphere." [63]

Arthur Krock, a political analyst, came to the conclusion that the whole scheme was a roundabout way of putting the Latin-American Republics on Uncle Sam's pay roll.[64] It is characteristic of our contemporary historians that Henry Steele Commager writing from the vantage point of his ivy tower saw—or thinks he saw, which amounts to the same thing—potential great things from the Havana Conference, and all that was left to do was to implement the great resolutions which would flow out of the conference chamber.[65] Economists and hard-boiled news analysts were convinced that the "great things" would end with the unanimous adoption of meaningless resolutions.

In due times the Conference gathered. President Roosevelt meanwhile had kept his ear to the ground. That he benefited from this native prudence is attested by the fact that in a special message to Congress he called for only $500,000,000 to implement the lending power of the Export-Import Bank. The scheme was further revised to give that agency a free hand in making loans to the Latin-American republics. This seventy-five percent deflation from the original sum proposed by Washington was at least a gain in the direction of sanity.

Once more the Times took up the cudgels against this policy of "buying" Allies, just as England and France thought they bought them in the Balkans and elsewhere. It pointed out the absurdity of lending American money to finance the agricultural surpluses of South America, while our own farmers were in the economic doldrums. It argued that while cooperation with Latin-America in our common economic defense problems is essential, it should also be realistic. And it added the following with biting effect: "Let us not forget, for example, as the annual report of the Foreign Bondholders Protective Council has just reminded us, that of $1,610,000,000 Latin-American dollar bonds outstanding, issued, or guaranteed by Governments or their non-political sub-divisions, 77 percent were in default at the end of last year." [66] The friendship of nations bought with loans, it concluded sardonically, lasts only as long as new funds continue to be poured in.

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[62] Dispatch in New York Times, July 25, 1940.

[63] Editorial, New York Times, July 22, 1940.

[64] New York Times column, July 26, 1940.

[65] Article in New York Times, Aug. 4, 1940.

It is inconceivable that the proponents of these measures which shifted practically over-night from a cartel arrangement to a loan proposition, and came down from a cool two billion dollars to a mere half a billion, were not aware of their shoddy improvisations. How did they expect an enlightened public opinion to react to this kaleidoscopic political and economic metamorphoses? Or had they grown cynical concerning the existence of such an opinion, or in the efficacy of its manifestations? Did they really expect the justly proud Latin-American peoples to mortgage their future to Uncle Sam in order to escape a problematical similar fate at the hands of the victorious Axis Powers? Was it better to embrace an unpleasant certain fate at the hands of one's friends rather than venture on the chances of escaping a harsher fate from German hands at some future date?

THE MONROE DOCTRINE IN THE GUISE OF A GOOD NEIGHBOR

These were the questions that undoubtedly coursed through the minds of the great Pan-American Conference as it met to deliberate at one of the critical junctures in history. That American statesmanship, reflecting the intellectual level of its people, did not rise up to the occasion is just another instance added to the impressive list of previous opportunities and similar frustrations.

Secretary Hull spoke as the representative of the American people and its ranking executive officer of the principal Cabinet post. It would be difficult to reconcile Diplomat Hull with the Hull before the Ways and Means Committee of the House of but a short time before. But who, outside of a few obscure logicians are concerned about the illogic of history?

Here was Hull speaking in defense of a program whose very heart was the thwarting of the normal flow of the raw materials of South America for the manufactured products of industrial Europe and

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[66] New York Times, Aug. 23, 1940.

Japan. Hull spoke of the stagnant surpluses piled up by the interference with the usual current of commerce because of the conflict raging in Europe and which the Graf Spee had brought to the very doors of Montevideo.

While he supported free trade as against autarchy, still we must recognize that the present is a transition period. To that conclusion even Hitler and Mussolini would agree in principle that dictatorships are only a phase in a transition period. Hull therefore urged that the American nations in order to improve their economic position as against the world should cooperate in the creation of facilities for the temporary handling and orderly marketing of accumulated surpluses of those commodities which are of primary importance to their economic life.

Hull denied that the United States desired to obstruct the natural trade with Europe or with any other portion of the world. In the next breath he urged the formation of a close economic bond in a regional alliance for mutual self-defense. "To this no friendly government can legitimately object," he continued. "The inter-American system carries no implication of aggression and no threat to any nation. It is based solely on a policy of self-defense, designed to preserve the independence and the integrity of each of the American nations." [67]

The delegates listened patiently, applauded politely and debated quite formally. They adopted the usual resolutions without point, and adjourned without date. Conferences that mean something in history, like the First Continental Congress, adjourn subject to call, or like the English Long Parliament or the French Convention in 1789 refuse to adjourn at all. The Roosevelt Administration, as well as the body of the American people, had no definite international policy, and none could be created at a Conference where the principal spokesman was himself so uncertain as to aims and so confused as to methods.

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[67] Address by Secretary Hull at Havana Conference; reported in New York Times, July 23, 1940.

CHAPTER XXX

War as the Perpetual State of Modern Capitalist Economy

SHIFTING NATURE OF THE AMERICAN FOREIGN POLICY

While an historian should be frank to criticize the shortcomings of American diplomacy, he should at the same time keep clearly in mind the reason for its deficiencies. A certain school of writer likes to draw invidious comparisons between American diplomats and those, say, of Britain and France. Perhaps our Foreign Office representatives do not all wear their dress clothes as well, or cross their legs at the proper angle while lounging. Judging by the latest photographs in the rotogravure sections they have pretty well caught up even with that.

In all other respects our spokesmen can hold their own in acuteness and in disguising their real intent, or rather their genuine ignorance by burying the simplest thought in a baffling maze of elliptical phraseology. National representatives like Hughes, Kellogg, Stimson and Hull can bear comparison with any other dignitaries of comparable rank in the hereditary Foreign Offices of the world. If our judgment of their achievements has been negative in character, it is rather because the United States government has been consistent only in the inconsistency of its foreign policy. This changes practically with every new occupant of the White House.

When, for example, we speak of the British foreign policy, it is a well-known fact that while Ministries come and go, the Foreign Office goes on forever. This astonishing consistency is due to many historical factors. In the first place, Britain is an old country, with established foreign interests that go back for centuries, and with them a tradition born out of many minds in the actual struggle for the maintenance of a national policy carried through in the face of diverse and persistent opposition. Second, the English Government to this very day, while ostensibly struggling for democracy against dictatorship, has been and is a government of the aristocracy carried on with the consent of the plebeian majority. The Foreign Office has always been the refuge as well as the career of the scions of this small ruling class.

It is true this class on the whole has administered affairs to the glory of England, but let it not be overlooked that this glory consisted in serving the imperial interests of the British industrial and financial capitalists. They would not dare to do otherwise; the great English Revolution of 1688 settled the question definitely as to which class ruled the country, no matter who governed it.

Finally, the interests of Britain for over three hundred years have been bound up with problems of imperial concern vital to its economic and political welfare. No nation in the world is so well equipped with the ideological requisites for the role of a true World Power, and not merely a Great Power such as are many nations in Europe and elsewhere.

As for the United States, we have become a mature country only in our own generation. Foreign policy does not yet mean the same thing in the various sections of the country, since the ideological reactions of masses are generally slower, and follow haltingly the attainment of maturity.

Our sectional progress is not uniform. The outlook of the manufacturing centers upon world affairs differs from that of the agricultural Mid-West. The South as we saw during the War of 1812, has always possessed a central core of sturdy nationalism in international affairs. The princes of finance are often at loggerheads with the captains of industry, as in matters pertaining to tariffs and the settlement of international balances.

But the worst offenders against historical realism are the politicians. Invariably they represent the prevailing view of their section; that is perhaps as it should be. The real difficulty lies in the fact that they translate their ideologies in terms of absolutes divorced from contact with temporal realities, and express in the pompous banalities of hoary times the principles intended to guide our present destinies.

No entangling alliances might have been—in fact it was—extremely good doctrine in the days of Washington and Jefferson when this nation was a thin stretch of farm lands along the Atlantic seaboard interspersed with an occasional town and with few, very few cities. That is no justification for the bright young moderns jumping at the conclusion that because we are now full-grown and have many industrial cities that the immortal Washington's advice is now passe and ought to be thrown over-board forthwith.

Nor are there lacking those who call themselves isolationists—whatever that means—and who do not hesitate to adopt as their own the sonorous phraseology of the Farewell Address. It does not matter to them that the solicitude which dictated that advice represented the mature reflection of an acute observer keenly aware to the cross-currents of his time.

A fragment of that forethought would impel the so-called internationalists to pause and weigh the cheap generalities of British statesmen in view of their class rule both at home and abroad. We will get into the war soon enough actually, as we are in industrially. In the field of foreign affairs the American people must learn to develop a considered unhysterical American point of view for the protection primarily of American interests. The true service of these interests cannot be derogatory to the welfare of any other people without at the same time defeating our own.

INCURABLE UNREALISM OF THE AMERICAN WORLD OUTLOOK

During the hectic Nineteen Twenties the industrialists amused themselves with sky-rocketing stocks, the masses did the same with booze and jazz, and the intelligentsia while participating in all the foregoing, had time to speculate occasionally with the rest upon schemes for world organization and the outlawry of war among nations until that scourge in time would disappear from the earth. To-day, writes Buell sadly, these hopes for a rational world organization are blasted, while the angelical fervor they once aroused for the Kellogg Pact has turned out to be one of the world's ghastliest jokes. Its only achievement has been to do away with declarations of war so that no loss of advantage might be suffered by the appellation aggressor.[1]

So did the New York Times write an obituary upon the occasion of the twelfth anniversary of the signing of the Pact of Paris which it now admits was born dead.[2] It is pitiful how these great seers who write with such assuredness prescriptions for the future confess their most abysmal and abominable failures with these same problems for which they prescribed in the past. At that time these same oracles hailed the Kellogg-Briand Pact as the acme of statesmanlike achievement and as the final step which would abolish war forever. Now they write watery phrases concerning its still birth.

One is under the compulsion in the present-day hysteria induced by war propaganda to keep constantly repeating that he holds no brief for dictatorship and would fervently like to see Hitler's Germany defeated, as an essential preface to the analysis and solution of the problems arising out of the world situation in which the United States now finds itself enmeshed.

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[1] Isolated America—Buell (1940), p. 4. Above written in 1940.

[2] Editorial, New York Times, Aug. 28, 1940.

We are not interested in British success for the sake of Britain, but for the sake of America. But that should not blind us to the fact that England is engaged primarily and properly in fighting for its own interests. It has yet to be shown that American and British interests are absolutely identical; that British victory in the struggle would be identical to a victory for America to the extent that would justify us on that issue, and that issue alone, in pouring our men and treasure into the conflict.

No nation is justified in fighting except for itself. It is the sheerest charlatanry to assert that Britain is fighting anybody's battle but its own, and that it would not cease fighting to-morrow if its vital interests were not at stake, be the consequences what they may to any other people. There may be a temporary coincidence of American and British interests but there can never be a complete identity in a national capitalist state organization.

By our own move we entered into the war upon the repeal of the arms embargo, and the inauguration of lend-lease aid to the Allies. But that move in turn was impelled by the very real and imminent danger which confronted us in the face of prospective Axis victory. There can be no question that an overwhelming Axis triumph would place the United States next on the list of conquest after the victors had determined the time opportune for initiating the onslaught. Yet we had none other than ourselves to blame for the mortal jeopardy in which the country had been placed as the consequence of our blunders since 1918. No self-respecting sovereignty fights in defense of anything but its own paramount welfare, to-day or any other day in the future, so long as a national sovereignty exists. We propose to discuss this question later on toward the end of this chapter.

DEFICIENCIES OF THE KELLOGG-BRIAND PACT

America first became aware of the infirmities inherent in the Kellogg Pact when Secretary of State Stimson invoked its provisions against Japan when it started its onslaught upon China in 1931 by way of Manchuria.

During the previous year Secretary Stimson had admonished Soviet Russia to desist from its adventures in the same area, but subsequent events proved that Russia was engaged in a purely punitive expedition against local Chinese war lords without further designs upon the territorial integrity of its Asiatic neighbor outside of being left undisturbed where she was already entrenched. In the case of Japan there was no mistaking what her ultimate objectives were behind the usual diplomatic representations of punishing unwarranted aggression by the Manchurians. The long history of Japanese policy toward China beginning with the Fifteen Demands during the First World War proved beyond cavil her real objectives.

This time Stimson appealed to Britain for support in a joint policy against the onward sweep of Nipponese militarism, which might be stopped at its initial stages but would assume the proportions of an avalanche once it got under way, calling forth comparable efforts later in order to checkmate it. Stimson no longer relied upon the platitudinous generalities of the Kellogg-Briand Pact in appealing for British co-operation, but asked simply that Britain honor its solemn engagement entered into with the United States and seven other Powers having vital interests in the Far East. All of them were pledged to observe the status quo, and that this would not be changed by resort to arms, with particular reference to maintaining China's territorial integrity and the sovereignty of its recognized government.

Great Britain chose to ignore Secretary Stimson's approach for "full and frank communication" between the Powers by invoking Article VII of the Nine-Power Treaty. Sir John Simon, the British Foreign Secretary even refused to commit himself upon whether the Treaty was still in effect though repeatedly urged to do so in a number of transatlantic telephone conversations initiated by Secretary Stimson.[3]

Nor can Great Britain be subjected to stricture for her hesitancy in the premises. It was plainly apparent that American public opinion was not prepared to proceed further against Japan than to assume a highly moral tone of righteous indignation. Such stalwart League of Nations supporters as President Lowell of Harvard and Newton D. Baker, Wilson's Secretary of War, were even ready—those brave souls—to support an economic boycott against Japan.

If that were the worst Japan had to fear, she would not be deterred from her immediate program. In that event, she calculated, economic pressure on the part of American cotton growers and manufacturers whose export market would be cut off could be depended upon to thwart an American gesture without practical effect in de-

[3] Isolated America—Buell (1940), p. 60.

terring Japan from the pursuit of policy long planned and excellently timed.

Timing is an essential element in the field of diplomacy. Japan selected the opportune moment when both England and the United States were deeply immersed in their own economic problems. With industry stagnant, capital fallow, millions unemployed, and the entire social structure descending into chaos, the peoples of those two natural opponents of Japan were in no mood to press a policy of counter imperialist adventure. For there was no mistaking what the whole conflict in the Far East was about. It revolved upon who was to guard the Open Door to China's market and her natural resources, and undertake her future industrialization.

All the high-sounding persiflage about territorial integrity and sovereignty might have buncoed Buell's disillusioned intelligentsia, including perhaps the editor of the Times, but it scarcely fooled anybody else. Japanese militarists proceeded with caution first to the assault upon Manchuria then upon Shanghai, and finally all along the front of entrenched Western imperialism in China to wrest the gigantic prize it desired for itself in the entire Far East.

History will record that the first shot of the Second World War was fired in 1931 at an obscure railroad junction in Manchuria. When the Western Powers, particularly Britain and the United States, did not fire back, that was the all-clear signal to the "proletarian" but aspiring imperialist nations of Europe. Neither England nor America, it was observed, was willing to shed the blood of a single soldier or sailor in defense of its formal treaty rights sanctioned by one of the settlements following out of the First World War. Mussolini and later Hitler were to make careful note of that fact.

CRISIS AND ISOLATIONISM

America, too, was not stranger to the ominous significance of this new development. A frenzy of isolationist sentiment spread throughout the country. All classes and all shades of opinion reacted to it. Congress expressed the dominant reaction against further involvement in foreign adventures by passing legislation almost by a unanimous vote which provided a supposedly mandatory embargo on export of implements of war to belligerent powers. It was soon discovered that many ordinary materials of peace were also essentials of war, though strictly speaking not war materials, such as oil, gasoline, motor trucks and scrap iron.

When Mussolini embarked upon his Ethiopian campaign, England and France, acting through their dummy, the League of Nations, threatened to impose an oil embargo against Italy. Mussolini warned those powers in direct language that he would consider such a step an act of war. Mighty England and powerful France backed down. Their people were not prepared to shed their blood for the maintenance of sweet Haile Selassie's despotism; nor would they have taken up arms for Ethiopia if that were the most enlightened democracy on earth.

Once more the United States took note, and added further restrictions to its neutrality legislation. Thus the act of May 1, 1937 continued in effect the arms embargo and the prohibition of war credits of the previous legislation. In addition the law empowered the President at his discretion to place exports to belligerents of any articles upon a cash-and-carry basis, the effect of which was to compel a belligerent desiring our products to come for them to our ports and clear them in non-American ships after paying cash before leaving.[4]

One of the beauties of this law in its practical operation was to open our material resources to Japan whom we detested, but who had both the money and the ships, and incidentally cut off China from our supplies. Thus we became one of the principal suppliers of the means of war against the very Chinese whom we sincerely tried to help. The moral quarantine of Japan could not interfere with business as usual; and certainly not when business with that country assumed boom proportions in very special lines, despite the fact that the League and the United States had already condemned Japan as the aggressor.[5]

President Roosevelt thundered anathema against the aggressor nations who wantonly disturbed the world's peace, while his Chicago phrase of a quarantine against them impressed the popular imagination. Unfortunately the President had neither the power nor the desire "to equip his words with hands and feet." [6]

Even the gentle and all-seeing Buell advised as late as 1940 that the United States follow the policy of appeasing Japan and negotiating a reasonable form of settlement with that country. Of course, the wise duck, he offered Japan nothing definite, and hoped to strengthen Chiang Kai-shek through some trap-door, while he thinks that Uncle Sam can pull the wool over Japanese eyes by making all sorts of promises concerning her economic difficulties.[7] Meanwhile the United States would be free to settle matters to our complete satisfaction in the Atlantic, after which we will betake ourselves to the final reckoning so long over-due in the Pacific. Some day these amazing geniuses in futility will wake up to the fact that not all the world but themselves is composed of packs of fools.

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[4] Isolated America—Buell (1940), p. 82.

[5] Ibid., p. 109.

[6] The United States in World Affairs, 1937—Shepardson (1938), p. 222.

[7] Isolated America—Buell, p. 361.

SOCIAL ELEMENTS IN THE FASCIST AND NAZI MOVEMENTS

Meanwhile Hitler had risen to power in Germany on the crest of a mighty upsurge of resentment against the economic inferiority and the political serfdom to which the German people had been reduced by the provisions of the Versailles Treaty. It is astonishing to see how many of the professoriate have now awakened to the fact, twenty years too late, that the entire peace settlement at Versailles was an incredible piece of folly.

If its purpose had been to emasculate Germany, it did not go far enough; if it was intended—as was actually the case—to keep Germany engaged in producing wealth for the enjoyment of other nations indefinitely, they were putting into the hands of these European helots a formidable productive plant by their loans and other forms of assistance. Some day in a moment of Allied lassitude or preoccupation, many of us foresaw, these means of production would be taken over by the German people and wrought into a mighty weapon for its own deliverance—and the enslavement of the hated conquerors of 1918 who did not know what to do with their victory.

German economic stagnation combined with the ruin of the middle class, the political immaturity of its people in democratic forms, the frustration of its youth, the internal squabbles among Socialists and Communists, together with the steady, unrelenting pressure of the Allies, all entered into that complex of elements which made fertile the soil for the propaganda of Hitler. With amazing versatility this master exponent of deceit made use of all these factors in his phenomenal rise to power.

It is now well known that his rise would have been impossible without the help of powerful capitalist elements at home and with the support of the same elements for his regime coming from England, France and even the United States. At first Hitler played upon the threat of Bolshevism at home; later it was the danger of Russian Communism against whose flood Germany was the last remaining dike in Europe.

In an amazing disclosure of the steps toward Hitler's assumption of total leadership, Fritz Thyssen, the great German industrial leader describes how he and his fellow captains of industry and princes of finance undertook to use Hitler as their tool for the preservation of the privileges of their class. Most of them have since been harnessed to the Nazi chariot and compelled to render homage to the man who once played the role of their pliant instrument.

"In the course of the years," wrote Thyssen, "during which I was able to observe the Nazi regime—as State Councillor and as a business leader I had ample opportunity for that—I realized with steadily increasing concern, and in the end with actual fear, what a serious mistake I made in 1932 when, together with von Papen, von Schroeder, Kirdorf, Krupp von Bohlen and Halbach, I undertook to subsidize the N.S.D.A.P., and when we, so to speak, assumed the responsibility of guarantors for Hitler's good behavior with regard to Germany and the world for the purpose of bringing him into power. I must here admit that I succumbed to the oratory and the glowing declarations of this frightful person, as much as to his ridiculous mediocrity, which held out to us the promise of complete freedom in handling the complicated problems for which he was not competent." [8]

No one need waste any sympathy on this exile from home and fortune who planned to dominate his puppet and soon found himself more mediocre than the ridiculous person he had selected for his tool.

Upon the occasion of his flight from Germany the New York Times wrote an ironic editorial on the paradox of Herr Thyssen who backed a regime as a barrier between Communism and his wealth, only to find it joining hands with the Soviet Government.[9] It is only proper to add that in 1932-3 this very newspaper backed Hitler against the Communist Thaelmann for the leadership of Germany and for the identical reasons that led the men of substance everywhere, in the Old World as well as in the New, to look upon Hitler as the buffer between Civilization and Bolshevism.

HISTORIC ROLE OF HITLERISM

Hitler had quite a vogue among the responsible leaders of conservatism in England and France. It is for that reason that he was permitted step by step to heal the "bleeding frontiers" of the Versailles Germany. After Austria had been anschlussed and the Rhineland re-occupied, Hitler began to reveal his hand by building formidable fortifications on his Western frontier. From thence on the military juggernaut began to assume concrete form.

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[8] Statement by Thyssen from Switzerland to whence he fled. Printed in New York Times, June 9, 1940.

[9] New York Times, Nov. 22, 1939.

Just as no Frenchman or Englishman was prepared to shed his blood to prevent mutilated Austria from uniting with fellow-Germans, so none of them saw why he should fight to prevent Czecho-Slovakia from giving up her Sudeten Germans. This prepared the ground for the Munich betrayal—that contemptible mutual betrayal on the part of France and England of their plighted word to their Central European ally—and the subsequent action of Hitler in raping that nation after her defenses had been removed.

By this time both sides knew the die was cast, and that war was inevitable. The Allies began to prepare feverishly, but the incredible folly of the past twenty years of self-indulgence could not now be undone in a year. While the Allies were called upon to build both armaments and the means for their production, Germany merely speeded up openly the gigantic war plant she had constructed right under the very noses of the Allied Intelligence Service, and to a large extent with Allied and American loans advanced for the rebuilding of their industrial machine so that she could pay reparations for sixty years longer to the victors of the First World War. Reparations from the German standpoint indeed were being made, but scarcely in the coin expected.

When the final show-down came, it was discovered that while the Allied jailers slept the prisoner of Europe had been awake day and night for twenty years waiting, planning, scheming for his day of deliverance and revenge.

The course of the present conflict is still too fresh in our minds to require recounting. Of all the astounding developments in this war, the sudden, and on the surface inexplicable collapse of France was the most startling to the world. Its repercussions in the United States were immediate and effective. Somehow every American sensed that the war had been brought home to him, and he drew closer to his fellows to gird for its possible consequences.

BASIS FOR AMERICAN SYMPATHY WITH THE ENGLISH PEOPLE

As between the combatants there is no question that the overwhelming—one is almost ready to say the unanimous—sentiment of the American people was with the Allies, and its sole surviving fighting representative in 1940, Great Britain. Whatever our ideas may be concerning its outmoded government of the aristocracy by the aristocracy, but for the English people in a fashion, however we may reprobate its blatant imperialism and abhor its policies in India, in South Africa and elsewhere, the fact still remains that the essence of the nobler English spirit lives in our more democratic institutions.

The friends of Germany here were confined to a few Bundists, while the totalitarian power received a measure of left-handed support by the Communists whose uncertain tactics were directed by the precarious situation and resulting foreign policies of the Stalin regime. While unquestionably there were a number of sincere and self-sacrificing members in the Communist Party, as soon as they discover, by gradual seepage, the true nature of the party, they drop out of the ranks. Fluctuation in their membership is the chief organizational problem of its permanent, bureaucratic leadership. The overwhelming mass of this membership is composed of young people in their early twenties. After one, two, at the most three years, they drop out. Should a census now be taken it would disclose that not one in twenty on the party rolls has remained there over five years. Naturally the self-perpetuating leadership sees to it that power remains in its own hands by manipulation of various allegedly democratic devices. As a consequence this leadership tends to form a solid phalanx in the form of a paid bureaucracy.

There is no question that the Communist Party is the camouflaged American representative of the Russian Foreign Office.[10] It carries importance in the United States not because of its own strength, which is insignificant, but because of the specific gravity which the Soviet Union and its dictator Stalin bears in the complicated affairs of the world.

Were it not for the vestiges of early idealism which still cast a halo over the Communist cause, its present degenerate American leadership would not be able to muster a baker's dozen anywhere outside of its paid hirelings. As for the Bundists and other so-called Fifth Columnists, they were a negligible influence in American life, though not wanting in allies among the various Fascist groups of native extraction.

Immediately after the collapse of France in June, 1940 and, as then appeared imminent, a similar fate for England, President Roosevelt announced that the United States would embark immediately upon a gigantic program of preparedness. Vast sums were called for to practically double our naval strength, to revitalize our home defenses, to muster, equip and train an adequate military force, and to provide the nation with at least fifty thousand planes, and the trained force to employ them.

By September, 1940 Congress had already appropriated, or was in the final stages for their legislative enactment of sums amounting to fifteen billion dollars dedicated to the immediate program of national defense.[11] At the same time the bars were let down or suitable openings were made in our neutrality policy, so-called for the supplying of England in her hour of greatest need with the essentials of war. In all this Roosevelt had behind him the overwhelming support of the nation.

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[10] I Confess—Gitlow (1940), pp. 495-7.

ISOLATIONISTS, INTERVENTIONISTS, AND UNION-NOW PROPAGANDISTS

When it came to implementing this program in a concrete, material way important fissures developed in this unity of the nation. On the one hand there were the Interventionists who believed that the fate of America was inextricably bound up with the fate of England, and they pointed to the fallacy of waiting until our turn would come, as it inexorably must, when the full might of a victorious Nazi Germany would be directed against us. On the other hand there were the Isolationists who argued that the United States should keep from entangling herself once more in the broils of Europe, while they urged that we look to our defenses and keep our powder dry.

These theoretical positions assumed quite a different shape when concretized in a practical program. Future generations will pause and marvel at the extraordinary hysteria which swept the nation during those fateful concluding months of 1940. That all of this was not spontaneous, but was to a large extent organized and subsidized by interested parties goes without saying. We have before us the shameful disclosures of both Allied and pro-German propaganda during the First World War. The facts of similar activities will be disclosed in due time after the present conflict has made them merely a matter of history. But indubitably we are now making that history, and those acquainted with its forces are not surprised at some of the results.

However the details of the case may be, the fact was that twice there has appeared in the New York Times full-page advertisements urging that the United States should forthwith end its existence as an independent nation and become a component part of a new Anglo-British Federation consisting of the United States, the United Kingdom, Canada, Australia, Ireland, the Union of South Africa and New Zealand.[12] Among the inestimable advantages of this Union Now according to its sponsors, was that England in the event of her defeat would be precluded from surrendering her fleet to Germany, but would sail proudly away for New York or some other convenient harbor.

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[11] By Associated Press; in New York Times, Sept. 6, 1940.

[12] Advertisements in New York Times, July 15 and August 19, 1940.

The British navy, they asserted, now stands between us and invasion from Europe. If we would escape the imminent danger of being overrun, let the United States join the Union Now, and then the British tars would never dare surrender their ships even if ordered to do so by the Admiralty in the event of a Hitler conquest and as a condition to preserve Britain from further dire disaster. For the treaty of alliance, or the pact of union would specifically enjoin them from doing so, and all the world must know by now how sacred are the solemn pledges of diplomats and their governments.

The advertisement stated that it was paid for by a group of American citizens whose names were being filed with the State Department, as is now required of accredited agents of foreign governments. We might suggest that they be filed also with the appropriate authorities in the nearest lunatic asylum. It is inconceivable that the Foreign Office in London would have any other use for persons of that calibre.

It is astonishing how many responsible people, like the editors of the New York Times, re-echoed the argument that the British Navy is our first line of defense on the Atlantic. After having supported every measure that would strip our naval defenses on the Eastern shores, all in the blessed name of economy, while advocating an Asiatic policy that would compel us to concentrate our naval strength in the Pacific, these people have the temerity to urge the condition which they themselves were instrumental in creating as the decisive factor that should impel the linking of our foreign policy to that of England, or to become part of the British Union as was proposed by those lunatics.[13]

The British Navy at no time in its history functioned as the first line of defense for anything or anybody other than the British Empire. No one in his right senses ever expected, or had the right to expect that it would, or could, or should, enact any other role.

If England fights, it is, as it should be, for the protection of its own paramount interests. If she would ever consent to accept dictated terms again it would only be the best way out for England under the given circumstances. Whether or not the British Fleet is surrendered or scuttled will be dictated by what is best for England under the actual conditions, and no agreement with the United

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[13] Buell accords this proposal the dignity of serious consideration—Isolated America, pp. 419-425 (1940).

States to the contrary will survive the impelling necessity of serving first the best interests of the British Isles.

ENGLISH PLEDGES FOR AMERICAN SHIPS

Upon the occasion of the exchange of notes out of which developed the historic transaction whereby England agreed to the American leasing and construction of a series of naval and air bases[14] in various British possessions from Newfoundland to Guiana in South America, there was published the correspondence between the British Ambassador Lord Lothian and Secretary of State Hull on the question of the future of the British Navy under the worst extremity. Here was stated in unequivocal terms the pledge that the British fleet would in no event be surrendered or sunk but would be sent overseas for the defense of other parts of the empire. This, it was solemnly declared was "the settled policy of His Majesty's Government."[15]

No one has the right to question either England's good intentions, or her own paramount interest in that outcome. But no one who remembers the unvarying lessons of history should entertain any doubt that in the event of the most bitter realities, English statesmen would not hesitate to scrap this agreement should the higher present welfare of their nation be served by another arrangement.

The real blame for this situation of naval unpreparedness—and the fault is indeed a grave one—rests squarely upon those leaders in American politics, its press, and the intelligentsia in general who were and are so lacking in a sense of historical realities that they permitted the United States to reach the position where even temporarily its fate or its future is conditioned upon armed resources other than her own.

This is not a plea for blatant militarism. The single-minded, passionate pursuit of money and self-indulgence in the Twenties had made us, as it did England and France, an easy prey to the enervating influences of ease under the specious plea of peace, while we were the stanchest supporters of an economic and social system which makes war inevitable. Consequently we ought to have made adequate preparation for war the first duty of the nation's government of at least sufficient power to maintain our world position.

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[14] Message from Roosevelt to Congress, Sept. 3, 1940; published in New York Times, Sept. 4, 1940.

[15] Letter from Lothian to Hull dated Sept. 2, 1940; in New York Times, Sept. 4, 1940.

LINDBERGH'S PLEA FOR AN AMERICA-FIRST POLICY

At the other extreme stood Colonel Lindbergh with his powerful plea for an impregnable national defense coupled with the advice that we quit playing the indulgent grandmother to Europe and stick to our knitting here. He had the courage, if lacking the wisdom, to advise a rapprochement with a victorious Germany based on mutual cooperation.

"In the past," Lindbergh urged, "we dealt with a Europe dominated by England and France. In the future we may have to deal with a Europe dominated by Germany. But, whether England or Germany wins this war, Western civilization will still depend upon two great centers, one in each hemisphere." [16] Nations, he added, seldom break treaties of cooperation when there is sufficient gain for both sides; a generalization which though true, is meaningless in the absence of further analysis of the economic, political and ideological actualities in the respective social systems of Germany and the United States, where the world, big as it is, must prove too small to harbor both in amity.

That it required great fortitude for the Lone Eagle to stand sponsor for such a declaration at that time was evidenced by the reaction to his address. Senator Lucas replied the following day with a tirade expected of all cart-tail orators and of some United States Senators, with its only rational if infamous conclusion being the acceptance of the dictum that the British Navy is our generous protector on the Atlantic, for which we should be duly grateful by joining in the war for the retention of her world hegemony.[17] Professor Elliott of Harvard charged Lindbergh with advocating a coward's role by opposing fullest and immediate military and naval co-operation with England,[18] while Robert E. Sherwood, a leading American playwright, condemned both Lindbergh and Ford as traitors to their country; the latter for refusing a $45,000,000 order for airplane engines on the ground that 6,000 of the 9,000 contracted for were to be sent to England, and not used as part of our own air defense.[19]

Exponents of pure and unadulterated economic determinism would be hard put to explain Ford's intransigent attitude, although the automobile manufacturer made it plain that he would put his entire plant at the disposal of the government in meeting its orders for essential war equipment.

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[16] Lindbergh's address in Chicago; reported in New York Times, Aug. 5, 1940.

[17] Radio address reported in New York Times, Aug. 6, 1940.

[18] New York Times, Aug. 9, 1940.

[19] New York Times, June 26, 1940.

It is pleasant to report that in the midst of all this hubub and turmoil in the seething caldron of war in practice and in preparation for a greater war one voice still maintained the calm sanity of the ages. "There would be no war," observed Rabbi Goldstein with extraordinary prophetic clarity, "if the nations of the world observed the Ten Commandments." [20] This startling original and pellucid declaration was typical of the vision and the intellectual calibre of the spokesmen of God among His errant children who can neither read nor understand the elements of the social decalogue without guidance from those not so humble servants in the pulpits of the various denominations.

PROFITEERING IN THE NATIONAL DEFENSE EFFORT

Meanwhile it was becoming apparent that America's stupendous armament program was meeting with strange difficulties in getting under way. For some time the matter was hushed in the hope that the Administration could be stampeded into making certain concessions required by the owners of factories and suppliers of materials essential to the production of the instruments of war.

That the defense program had been slowed as a result of the 8 percent profit limitation in war orders contained in existing law was the explicit declaration made before the House Ways and Means Committee by Secretary of the Treasury Morgenthau, Secretary of War Stimson and by William S. Knudsen, head of the National Defense Advisory Commission, who was called to his post of public service from the position as president of the great General Motors Corporation.[21]

At last the issue was out in the open. Despite the national emergency which every one recognized to exist, private capital stood at the gate of its plants haggling with Uncle Sam upon price, terms and conditions, not for equitable, but for exorbitant profits.

In a leading editorial the Times undertook to clear up what it admitted in characteristic pharisaical verbiage was the confusion and obscurity that surrounded the defense program. Although by July 25th $1,728,000,000, in Army and Navy contracts had been cleared by officials ready for actual achievements, "not a factory wheel is turning on new combat aircraft for the Army. Contracts 'cleared' does not mean contracts 'signed.' In any case the touchstone of progress is whether or not manufacturers have actually started work. What has been holding up these contracts?" [22]

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[20] New York Times, Jan. 28, 1940.

[21] Dispatch by Henry N. Dorris in New York Times, Aug. 10, 1940.

It went on to give the answer to its own query by way of mitigating the fault. It seemed that the airplane manufacturers were discriminated against in that the law limited their profits on government contracts to between 7 and 8 percent; while no such limitation was applied to contractors in the shipping industry, nor to private manufacturers of tanks, armored cars, rifles or explosives.

But that was not all. The government was willing to concede to an amortization program whereby the total cost of the plant and equipment investment of private capital in production of airplanes would be written off in five years. That is, of the total investment one-fifth of that sum was to be added to the cost of production annually until in the prices paid by the government for the planes, the original investment would be amortized.

This procedure was actually authorized by R. N. Elliott, Acting Controller-General, who embodied in his ruling a letter from Secretary of War Stimson to the same effect.[23] The airplane manufacturers insisted that five years was far too long, despite the specific binding promise of the head of the War Department that any losses which might be suffered would be arbitrated by the government; the arbitrators consisting of three persons, one selected by the government, the other by the manufacturer and the third by agreement between these two, "with the decision of any two arbitrators controlling on the respective parties." [24] In other words, the sovereign United States government bound itself in advance to abide by the decision of private parties.

Apparently that was not enough. The manufacturers did not want to leave matters to some indefinite future subject to the vagaries of arbitration. They had the plant; they had, or could readily get from private sources or from the R.F.C. the money; they had, or would obtain with government help the necessary labor, materials and equipment. But all they lacked was the essential element of guaranteed profits.

Let not the innocents abroad shed any tears over the insiders in these corporations. The Federal Trade Commission after a painstaking study of the affairs of the nine leading aircraft manufacturers reported that during 1939 the average profit on their investment was 34.4%; in 1938 24.2 percent,[25] while that for 1940 will approach newer records. And all this despite heavy costs for inflated promotional outlays, and the princely salaries for the inside manipulators of the industry.

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[22] New York Times, Aug. 5, 1940.

[23] Published in New York Times, Aug. 23, 1940.

[24] Point Two of Stimson's letter as above.

[25] New York Times, Oct. 15, 1940.

Anybody who knows anything about how those matters are managed need entertain any doubts as to how these corporations would fare. The big gains in modern corporate practice come not from the dividends which may or may not be divided among the stockholders, but from the manipulation of the corporations by the insiders themselves. From our detailed knowledge of the affairs of two such giant corporations in New York City's transit field we have observed how those things are handled. The insiders grab the high salaried posts, pack the front office with their dummies, organize close corporations which sell supplies to the main organization at fanciful prices, get rake-offs from ostensibly legitimate bidders, gamble on their own securities after rigging the market, and engage in other practices of the same general tenor. The real concern, if at all, should be for the private investors in corporate securities.

Of course, no one contends that the New York Times or any other responsible public spirited organ countenances the practices enumerated above. But they are not so naive as to pretend they do not exist.

In substance, the country was confronted by the following situation: Here is an airplane corporation. One or two years ago of modest size and importance as such organizations figure in the business reports, now its business is booming by virtue of the blessed event of war orders and preparation for war. Because of the rosy prospects for prosperous business money can be raised easily by bond flotations or sale of stock.

Now the investing public comes on the scene. Management has taken good care to protect its interests as have the manipulators of the corporation. But the vested interests of capital as represented by the investors in airplane securities now become the common concern of the capitalist class in general. It is for them that the apologists of the existing regime raise their voices when they speak for any specific member or group of so-called capitalist entrepreneurs.

It is quite unnecessary to stress that the defenders of the status quo in society are justified in demanding a fair return on the private investment in such a hazardous undertaking as the provision of the weapons for the common defense. We all recollect what happened after the First World War. The profits had to be made during the lifetime of the crisis, for after it was over, government interest in the armament industry would take a decided drop, and the private owners would be left to shift for themselves. Actual military expenditures then dropped from $11,217,000,000 in 1919 to $1,657,000,000 in 1920, and then to an average of $600,000,000 for the next fourteen years. During that long period private manufacturers of armaments either took to ordinary commercial production or simply passed out of the picture.[26]

CAPITALIST-IMPERIALIST NATURE OF MODERN WARS

Here is summed up the cruel irony of the entire economic order as it prevails in contemporary society. Modern wars are caused by the ultimate clash of contending national aspirations in the field of imperialist exploitation. England, France, Britain, the United States each in its own way desired to maintain the dominant position in their respective spheres of power to the exclusion of the rest. But aspiring nations like Germany, Italy and Japan needed access to the world markets and to basic raw materials under their own control. When compromise has reached its ultimate, resort must be had to force. The "proletarian" capitalist nations had prepared themselves for the conflict by subjecting their entire economy, the state structure and the accompanying ideological superstructure toward achieving their economic emancipation from the grip of Allied imperialism.

For that reason they built their totalitarian states with the consciousness that it would be either victory or utter annihilation in the inevitable struggle. In Germany half of the national income was diverted for many years after Hitler's advent to power in preparation for war.

Meanwhile France and England, or rather their ruling classes, lolled in the luxury of post-war prosperity, spending as little as they dared for the national defense. They knew in practice, despite what the professors taught in theory, that all taxation both direct and indirect is a deduction from surplus value. Granting that the standard of living for the masses is not lowered, taxes must come out of rent, interest, and profit as they are received by the respective categories. The direct and indirect taxes paid by labor are merely nominal, not actual deductions if living levels are not depressed.

That was the basis for the theory of a war of limited liability as propounded by Captain Liddell Hart, and why it found such comforting receptions in England and France. Under this theory, these nations and their satellites could rest secure behind impregnable defenses, such as the Maginot Line and the British Navy with its blockade of Germany. In a war of attrition, the side having the biggest money-bags and the longest reach was bound to win the last, the decisive battle.

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[26] New York Times, Sept. 7, 1940.

Around this comforting theory the Allies built their pre-war strategy and the equipment necessary for defense. Germany's economic position dictated the resort to a quick, overwhelming and decisive attack. For that reason she relied upon her airplanes and tanks. In the early stages they have met with astounding success on land. Events will determine how far Germany was prepared to negotiate the obstacle of the Channel moat which makes impossible the direct attack of her military machine with the co-operation of its air forces.

By common agreement the United States stood at the brink of the gravest crisis since the Civil War. A victorious Germany with her allies, Italy and Japan, would have at her command the immense resources of three quarters of the world for a final reckoning with the United States that thwarted her ambitions by direct intervention in 1917, and by indirect intervention now.

It would have been the grossest betrayal of our trust as the inheritors of the destiny of this great Republic did we not guage our policies with this danger actively before us. Fortunately all groups were united in the face of the common danger. Isolationists, Interventionists, Pacifists, Socialists, and all others except agents of Hitler's Bundists and Stalin's "Communists," were agreed upon the building up of every branch of our armed forces sufficient to protect our shores and the vital Panama Canal and its approaches.

But here difficulties presented themselves. The organization of such defenses must bring into play vast sections of our economic resources which must be diverted for the defense program. The effective organization of these resources consists in the freest possible access to money, materials, and men. At each point practical problems of formidable character were encountered in the effort to put the nation in a state of defense comparable to its abounding resources. At each point, there were those who agreed wholeheartedly as to principle but took exception with the same vehemence as to practice.

Leonard P. Ayres, a noted economist of a large Cleveland bank, expressed it as his sober finding in mid-August of 1940 that the business world had not yet begun to experience any appreciable translation of the Army and Navy expansion program in actual orders.[27] The simple truth of the matter was that the very economic laws which brought about the Second World War had made it difficult for the victors of the First World War to prepare adequately for the successful prosecution of its inevitable sequel.

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[27] Statement in New York Times, Aug. 16, 1940.

REASONS FOR AMERICAN MILITARY UNPREPAREDNESS

To do so would interfere with the sacred rights of capital to profits. During the piping times of peace it was good politics for the Republican Party platform in 1924 and 1928 to declare itself affirmatively on the abstract proposition of conscripting men and money in the event of war.[28] In the face of the reality, Willkie and the United States Chamber of Commerce were very quick to take exception to the Excess Profits Bill as it was presented to the House by the Ways and Means Committee.[29]

Upon the basis of capitalist ethics there was sound justification for that position. Byron Darnton, a Washington correspondent, put the case for capital honestly and squarely before the public. He quoted from an anonymous airplane manufacturer that while 8 percent sounds ample, in practice it was much less. It seems the hard-hearted government agents calculated profits on the total capital invested, irrespective whether that money was the corporation's own or was borrowed.

How on earth that would make any difference in standard bookkeeping passes understanding, except as in this case the producer wanted his modest 8 percent not only on his own money, but also on money that did not belong to him. This kind of haggling sounds reasonable enough, except when they make out their income tax, when strangely enough the distinction between one's own capital and borrowed capital is recognized in all its rugged simplicity. Then they suddenly see the true light that interest is a legitimate deduction from gross income.

But there were more valid contentions advanced. "Bear in mind," said this representative of big business, "that in many instances the manufacturer would be called upon to sign a contract of such large size that if he lost on it—and there was no protection in the law for him against losses—he might lose his shirt. The companies involved in all this are not small one-man companies. They are run by executives elected by boards of directors responsible to stockholders. The plain fact is that they were wholly justified in feeling reticent about risking their companies at such odds." [30] What sweet solicitude for the stockholder whom a director was never, never known to double-cross or betray!

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[28] Statement by Edward J. Flynn in New York Times, Sept. 6, 1940.

[29] New York Times, Sept. 1, 1940.

[30] Dispatch in New York Times, Aug. 30, 1940.

One can imagine with what envy this spokesman would look upon the manufacturers of bentonite, a substance necessary to make molds used in casting engine blocks, gun-carriages, tractor treads and other metal products. They organized a neat little combine to provide against the contingencies envisaged above by charging exorbitant prices now against the hazards of the future. It seems, however, that the Federal Grand Jury spoiled that pleasant prospect by indicting eight of the leaders in that scheme to mulct the government. Four armament producers have since pleaded nolo contendere, which is non-contention of the charges, in order to escape trial, and have been heavily fined.[31]

CONSCRIPTING MEN AND WEALTH

Congress was well aware of the chaos that was gradually enveloping and throttling the national will for adequate military preparation for all possible eventualities. Finally, the Senate passed the Selective Service or Draft Bill with a rider attached known as the Overton-Russell Amendment intended to establish simultaneously the principle that conscription during the emergency will be extended to capital as well as to man-power. The pertinent Section [32] provided that whenever the Secretary of War or the Secretary of the Navy determines that any existing plant or facility is necessary for the national defense, and is unable to arrive at an agreement with the owner of such plant for its operation, the Secretary of War or Navy upon direction of the President is authorized to institute condemnation proceedings and operate it either with government or private personnel.

Willkie and the forces of reaction whom he so nobly represented saw in this provision their opportunity for an assault upon the President all along the line. It was denounced as a step to sovietize all industry.[33] This, despite the fact that every school text-book contains the information that the Soviets took over all industry without compensation, overthrew the state which was the dictatorship of the aristocracy and established the proletarian dictatorship, now evolved into the more or less benevolent despotism of Joseph Stalin.

A long series of events and circumstances were totally absent in the application of that analogy to American conditions and thus rendered the stigmatization of the Senate program as sovietization the cheapest sort of demagogic propaganda. The pitiful aspect of the entire issue was that no serious student of American history can think for a moment that any President or any Administration can carry the country against its will along paths that it does not desire to tread.

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[31] Reported in New York Times, Nov. 16, 1940.

[32] Section not yet numbered in bill as passed; published in New York Times, Aug. 29, 1940.

[33] Willkie statement and James A. Hagerty dispatch in New York Times, Aug. 30, 1940.

No one, not even Willkie, could question the absolute right of government to take over property it deems necessary to its defense when an emergency arises. This he admitted by referring to the powers vested in the President by the terms of the Defense Act of 1916.[34] In substance the quarrel hid the candidate's real contention, and was made to hinge upon whether or not that emergency had arisen; and upon that question the country was overwhelmingly with Roosevelt in taking the necessary steps for the national defense.

Concerning the practical working out of a war plant seizure policy under the existing social ideology, there is no question as to its deficiencies, as was so ably pointed out by Bernard M. Baruch,[35] chairman of the War Industries Board in the First World War. The people are not now prepared to operate factories in the interests of the common welfare. The dominant mental habits of the profit motive must lead to a government bureaucracy to check it. The regulatory mechanism eventually becomes so cumbersome it must topple over, giving us another illustration of capitalism's peculiar disequilibrium.

USING THE FRENCH COLLAPSE TO BREAK DOWN SOCIAL GAINS UNDER THE NEW DEAL

But tucked away in the entrails of the opposition to the Senate's plan was the desire to undo as much of the New Deal's achievements in the field of labor and social welfare as they possibly could, under the smokescreen of the dangers inherent to the nation in such a divisive program. With one voice they pointed to the collapse of France as an illustration of the consequences which followed out of Leon Blum's Ministry. "The politicians of France," stated Willkie, "by arousing the prejudices of the people, destroyed the effectiveness of French industry, nationalized portions of the productive capacity with the inevitable result of disaster, failure and defeat." [36]

The fact is that no one then, or to this day is in a position to state that this single factor or that was responsible for the French collapse. It would be illuminating in view of how little Willkie had contributed to the public enlightenment on domestic problems to have him debate his ideas on the causes of the French debacle.

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[34] Willkie statement.

[35] Baruch statement before War Policies Commission in 1932; published in New York Times, Sept. 5, 1940.

[36] Willkie Statement on Draft Plan; New York Times, Sept. 1, 1940.

Most certainly they were not due to the partial nationalization of the French armament industries. When Blum's Cabinet intervened, they had practically ceased functioning, as part of a capital strike against government in an effort to gouge greater profits out of the nation's danger.

Far from throttling war material production, Blum's first accomplishment was the signing of the Matignon Agreement with the principal employer's association for the regularization of the previous highly disturbed state of capital-labor relations.[37] As a consequence, metallurgical production which had fallen to a 69 level under the preceding Laval Ministry reached 83 under the Popular Front, and fell to 72 with its successor the Chautemps-Daladier government.

Not only did general manufacturing increase to 92 under the Blum regime, a figure which neither his predecessor or successor could attain, but the actual man-hour output increased under the well-known stimulus of shorter hours, while the actual production itself was raised to higher levels.

Secretary of Labor Perkins was impelled to reply to those who sought surreptitiously to break down American labor standards under the guise of saving America from the fate of France. In a well-reasoned, factual statement she analyzed the utter fallacy of comparing the labor situation of France under Blum with that of the United States under Roosevelt.[38]

In the first place, the Walsh-Healey or Government Contracts Act did not limit hours of employment, except that time over forty hours per week must be paid for at time and one-half. There were no restrictions as to the number of shifts, and government contractors were even then working in three eight hour shifts, as did the government itself in its own armament plants.

Next, Secretary Perkins proved that the inefficiency of French production was due not to labor's intransigence so much as to capital's self-satisfied smugness in deferring modernization of equipment, with the result that French industry was at least fifteen years behind the rest of its wide-awake competitors.

Finally, French capitalists were accustomed to the pleasant habit of paying themselves off as dividends that part of their capital structure which any rational system of accounting would compel to be set aside for obsolescence of existing plant. The result inevitably was that when the crisis came, French equipment was not equal to the task no matter how much the hours of labor were lengthened.

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[37] Article in New Republic, Sept. 2, 1940.

[38] New York Times, Oct. 9, 1940.

Thus by a tricky turn of debate, the very evils of capitalism were transformed into virtue cruelly wronged, and the entire blame for France's debacle was placed by Willkie and his fellow apologists upon the defenseless shoulders of its silenced working class.

It is unnecessary to pursue further this rebuttal of the cheapest kind of political apologetics. Should Mr. Willkie, who does love so much to debate, care to accept the affirmative that government operation of enterprise is synonymous with disaster, failure and defeat, there is no question he would find many adversaries who would not retire from that engagement with second honors. But it can well be questioned whether his intellectual interest in the issue will survive the 1940 election.

THE ROOSEVELT-WILLKIE CAMPAIGN

For some time before the formal party conventions in mid-year of 1940 it was apparent to the country that Roosevelt was to make a bid for a third term. It is unnecessary from the scientific historian's viewpoint to consider how the political cards were arranged so that the Democratic Party would have no choice but to re-nominate the White House incumbent. Some day the archives will be thrown open, memoirs will be written, and lips now sealed will be free to speak, or impelled by motives of revenge to make impolitic disclosures.

Whether the reactionaries in the Democratic Party liked the New Deal or not—and they did not—the impelling need of the time was to nominate Roosevelt or go down in defeat. Politics often is not only a question of profit but of cussedness, and most people still hate the thought of losing a battle, any battle. Certainly the party then possessed no man of Presidential calibre sufficiently strong or courageous enough to contest the nomination. It went to Roosevelt by a somewhat muttered acclamation.

As for the Republican Party such commonplace wheel-horses as Senator Taft and Senator Vandenberg as candidates would have constituted an open default of the election. District Attorney Dewey had in his favor a certain youthful elan and aggressiveness, but these virtues of the New York municipal scene soon proved to be handicaps during his pre-convention campaign. The nation wanted something more than a high-class policeman who could go in and get his man in the final court-room scene. And little Tom proved to be nothing else.

Dewey's discussion of national affairs showed him to be mediocre both in ideas and expression, with an intellectual stature that did not rise above the copy-book precepts of the last dozen or so generations, or perhaps centuries; it really mattered little. While the country was interested in the man it did not turn thumbs down altogether on the pugnacious little District Attorney. It simply told him to go out and bag some bigger game, and come back later on for another trial in the big-time circuit.

Under these circumstances, for the Republicans Wendell L. Willkie was manna from heaven. He seemed to have everything—if one was willing to overlook his so-recent role of henchman for Tammany Hall in the local politics of New York. He had an engaging smile and an ebullient, infectious animalism which warmed him to the common run of mortal.

As for his esoteric self, the shrewd manipulators of the political scene knew him to be one of their own with a pliable mind, an earnest way, and above all, the uncanny ability to say convincingly opposite things in different places and still reconcile them somehow with each other. All this is somewhat confusing to the logically-minded; but then no campaign was ever conducted to convince logically-minded people; there are not enough of them who go to the polling places.

Campaigns are a form of national hysteria, and none but a biographer would care to analyze, perhaps to justify, the contradictory positions adopted, and the untenable theories advanced by the candidates. That does not mean that there were no vital issues involved. The historian can ignore the third term issue which was pressed with fervor by the Republican Party, and as doggedly shied away from by the Roosevelt supporters. Only at the very end of the campaign on November second in his Cleveland speech, did the President deign to give public notice to a question which must have preyed as heavily on his mind as it did upon those of his supporters, when he pledged himself not to run again for public office.[39]

The real, the only issue of the campaign was the New Deal. Here again both sides were inconclusive. The President naturally avoided references to the fiasco of the New Deal economic program in the past, or what it proposed to do for the future for the simple reason that he had no definite program then, and he had none to offer now. For Roosevelt it was still a matter of living from day to day and week to week, and meet each problem as it arises, not because it is the best thing to do but because it is the only thing he knows to do. When the problem was obvious and the necessary steps to meet it equally clear, as in the armament program—even there only in its general objectives—the President showed his old-time vigor and determination to smash through no matter what the obstacles.

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[39] New York Times, Nov. 3, 1940.

The New Deal to the President is expressed in terms of human values, and even those in abstract generalizations. It is true the exigencies of the campaign made it appear as though Willkie was the defender, and Roosevelt the assailer of "private enterprise." Consequently the President reaffirmed his position as a firm believer in private enterprise, in private property, in American opportunity,[40] the Bill of Rights and even the Ten Commandments, if the occasion would have arisen. But the gravamen of the issue was his determination not to allow private greed to exploit the American people and the national resources for their selfish profit. The social gains of the New Deal were to be maintained, and furthermore, to be extended if the opportunity presented itself.

With Willkie, there was no such thing as an issue upon which he was determined to stand his ground, be the consequences what they may. He was the supreme political opportunist. In his formal speech of acceptance he ratified the social objectives of the New Deal, and pleaded that he and his party alone could make it bigger and better. The ominous lull in his campaign which followed that declaration soon proved to him that his new-found party would not stand behind him on such a personal platform. This impelled a complete change of campaign strategy, and soon the air-waves, the press and the well-financed campaign machine was spreading broadcast the fallacies of the New Deal philosophy.

Social gains were made dependent upon the growth and prosperity of private business as in the past, and by an easy transition so well-practiced in the art of demagogy, private enterprise on the part of the Steel Corporation and of the corner bootblack were placed in the same category. This impelled Roosevelt's protestation of eternal devotion to private enterprise, simply because the political hustings he knew were no place for involved theorizing.

Willkie, too, knew what it was all about. "The reinforcement of that rim of freedom can be accomplished in one way," spoke time and again this master of persiflage, in the art of saying nothing, and implying much more than what is really said. "It can be accomplished only by a thing that the New Deal does not understand, namely production. We must produce more, and more and more. We must produce airplanes. We must produce hundreds of other things.

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[40] New York Times, Nov. 3, 1940.

That is our role. That is the role that we must employ to reinforce that rim of freedom." [41]

Willkie was discreetly silent concerning just what this production would consist of, outside of airplanes and similar requirements for re-armament. He would respond, if pressed, that private industry when prosperous makes its blessings felt in other enterprises, like an ever-expanding wave. What is this but Roosevelt's pump-priming of another sort? Only now the initial impulse would come from private, rather than from public spending.

But this only changes the horn of the dilemma; the problem still remains where the money is to come from for spending, be it public or private. Producers will not produce unless they can sell, and buyers will not buy unless they possess the means for effecting the exchange. As C. F. Hughes pointed out, producers do not have to wait for the go-ahead signal from Willkie if only the effective purchasing power exists. And this was the very problem Willkie was called upon to solve, and for which capitalism in its stagnant stage has not, and cannot find the answer.

Summarizing the character of the campaign after its conclusion George E. Sokolsky wrote: "This was a campaign of personalities. I listened to as many speeches as I could stand, and except for the discussion of the third term, I found almost no realistic approach to the fundamental problems facing the American people." [42] In this sober judgment serious thinkers will concur, but they will also agree that maybe Sokolsky expected too much. National campaigns are not to discuss issues, but to resolve them, if the public mind is made up, or to side-track them if it is not. The people have not yet decided upon the merits of the New Deal economics, but they do approve of the New Deal's general social objectives. That was demonstrated abundantly in the results.

It is of the utmost significance that Roosevelt carried every large industrial center in the nation, and every one of the nation's eighteen largest cities.[43] Of the agricultural States, it is conceded that those few won by Willkie was not because the farmer is anti-New Deal, but simply anti-hard times, for only in those states where continued drought had brought the hard-pressed farmer to desperation despite the A.A.A. policies did they vote Republican just to get some sort of a change, and perhaps a turn of luck.[44]

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[41] Speech by Willkie at St. Louis; New York Times, Oct. 18, 1940.

[42] In the New York Sun, Nov. 6, 1940.

[43] Associated Press, in New York Times, Nov. 9, 1940.

[44] White in the New York Times, Nov. 10, 1940.

William Allen White conceded that the non-Roosevelt farmer vote in his Middle West was still a protest against the rule of finance capital and for the social gains of the New Deal, including the subsidizing of the farmer to which Willkie specifically pledged himself. The farmer, in short, voted for what White called, in want of a better phrase, "benevolent capitalism," though he frankly admitted he himself has no clear conception of what he means by that term.[45]

PROBLEMS OF THE IMMEDIATE FUTURE

As the fourth decade of the twentieth century drew to a close, the nation stood at the cross-roads of history uncertain where to advance, bewildered by a multitude of conflicting opinion, half hoping that it could remain where it was for a while, but conscious too that overwhelming forces operating at home and abroad had brought it to the moment for historic decision. The election in November with such a striking victory for Roosevelt together with a good working majority in Congress, expressed only one irrevocable determination of the nation, and more particularly of its industrial population: There shall be no retreat to the days before the New Deal.

The people were far from content with conditions as they are, but they want no more of the order that was. In the first six months of 1940, Leonard P. Ayres estimated that our national income was only about 5 per cent greater than in the first half of 1939, while he doubted whether all the new output of goods for military use here and abroad constituted more than 2 per cent of our total industrial production.[46]

Meanwhile during July the National Industrial Conference Board reported a rise in unemployment which they estimated totalled 8,235,000.[47] Other authorities gave the figure as between nine and ten million unemployed. The emergency labor force paid out of government funds increased from 1,943,000 in June to 2,038,000 by August. All Willkie could do in the face of this fact was to charge the Administration with deliberately increasing the government relief role with an eye toward the election. This is an evidence of the calibre of his opportunistic campaigning.

John L. Lewis, the president of the Congress of Industrial Organizations in a radio Labor Day address on Sept. 2, cited as one of the contributory factors to the situation that although the steel industry had produced five million tons of their product in a comparable month during 1937 and 1940, the latter result was achieved with 80,000 less men due to technological advances.

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[45] New York Times, Nov. 9, 1940, article by White.

[46] New York Times, Aug. 16, 1940.

[47] New York Times, Sept. 1, 1940.

True, it was expected that once the re-armament program got fully under way, about 4,500,000 of the unemployed would be reabsorbed into the industry or be inducted into the military and naval services of the nation. That is how Germany solved her unemployment problem, and doubtless the more energetic Churchill will cut similarly into the heritage of unemployment from the Chamberlain regime by the same means. Yet no rational person will raise his voice in defense of a social system that can solve its primary human problem only by engendering fear, hatred and war.

All the combatants on both sides, the vanquished, the temporarily victorious as well as the uneasy neutrals agreed instinctively only upon this—a new social order must arise out of the ashes of the old. For the United States, too, there could be no going back.

But here the unanimity ends. No one ventured to speak with assuredness concerning the nature of this new social order, nor of the methods by which it was to be achieved. If the Historical Field Theory is to meet the rigid requirements of a completely satisfying scientific conception, it must meet this problem squarely. It must speak in terms of certainty concerning the future course of American history and be able to describe the general outline of the social organization toward which we are tending. This will be the subject of the concluding chapter of this analysis.

ON THE BRINK OF WAR

America's unofficial entrance into the war dates from the repeal of the stringent neutrality act restrictions in October 1939. From the very outset of the conflict there was no question in what direction were American sympathies and antipathies. Despite the overwhelming pro-Ally and anti-Germany sentiment of our people, the plea that we should espouse the cause of the democracies as against the dictatorships left us singularly unmoved. We had fought once before to make the world safe for democracy. The fact that the pro-British propagandists could think up no better slogan with which to draw us into the present war was but another proof of their intellectual paucity both here and abroad. There is a limit even to American gullibility.

It is a far different matter when the very existence of our Republic is endangered. This became evident with lightning speed as the German war machine crashed remorselessly through the Scandinavian countries, the Low Countries and finally rendered prostrate the glory of France. With a unanimous will—as unanimous as could be desired in a country with fundamentally democratic institutions, where Bundists in the pay of Hitler and Communists in the pay of Stalin could still carry on underneath the cloak of their constitutional privileges—the American people began to unlimber and gird their strength for the ultimate test.

Our preparedness efforts were slow in getting started. There was too much deadwood in our social system which had to be removed, too many smug interests which had to be disturbed and unloosened. As the months went by into 1941 and the full fury of the German assault was unleashed upon the courageous British people, these vested interests were rudely shaken, and some were extirpated by an aroused American people intent upon their defenses and determined to maintain at all costs their freedom, their institutions, their very national existence.

So-called military experts quibbled upon the reality of America's present danger. The inherent common sense of the American people had lost all confidence in those identical experts or their intellectual successors who had permitted the world to come to its present pass—those experts who had decided the fate of world at Versailles by their economic and diplomatic policies and resulted in the scrapping of their once preponderant material, military and naval power while under their very noses they allowed the totalitarian powers to arm on land, on sea and in the air until they achieved their temporary superiority.

The American people were not to be diverted from their gathering resolve to take every measure consistent and inconsistent with hallowed property rights to arm itself and to arm those who were fighting the common enemy.

America responded to Britain in the hour of its travail during the Spring of 1941 with every weapon at its command "short of war." That hypocritical phrase fooled no one, least of all the dictators of Europe. If Germany did not accept the gauge of battle immediately upon the beginning of the lend-lease program it was only because she decided to bide her time. If the United States did not openly declare itself on Britain's side, it was because the American people were not yet ideologically awakened to their danger nor materially prepared for the exigencies of war.

No rational person imagined that we stood in immediate threat of invasion. At the very worst our Atlantic seaboard cities might receive token visits from German bombers to acquaint our people with some of the grim realities of the struggle. But despite all the specious persiflage of discredited experts and would-be statesmen there was the firm recognition that present German victory would result for us only in a breathing spell for launching an attack upon the United States from the East, the South and the West.

We entered the war not to save "democratic" England, but to prevent the inevitable later struggle to save ourselves. Upon this impregnable ground stood the Roosevelt Administration in early 1941. Around this program was gathering the mature resolve of the awakening American people.

Our efforts in preparing for national defense gained immeasurably once we emerged from the sphere of maudlin sentimentality about an abstract democratic England and looked upon the British Empire only as a powerful center of resistance against the most determined opponent of all that America is and yet hoped to be. We would not be justified in spending a single dollar or shedding a drop of American blood in behalf of the present rulers of England. Yet it would have been a most egregious betrayal of our obligations to our forebears and to our posterity did we not seize the opportunity to build up this center of resistance in order to save ourselves infinitely greater labors later, with less certainty of ultimate success.

As the American people began to view this struggle in its true light all the verbal subterfuges currently debated were abandoned for the recognition of the central core of the realities in the world situation.

For itself the British ruling class is not worth saving. To recount all the blunders of England's rulers only during the past ten years [48] is to recognize that they have brought deserved retribution upon themselves, but untold undeserved suffering upon their people. Probably the most disgusting of all the unwilling revelations of official incompetency was the bland statement of Winston Churchill to the House of Commons that the great French and British General Staffs that had been collaborating in their alleged specialties for so many years had not even thought of the possibility of a breakthrough in the Maginot Line, and had established no reserve to meet such an eventuality.[49]

So may we leave to Allan Nevins and other historians and the alleged statesmen to weave their vapid generalities concerning the subtle world spirit which moves the leaders and peoples of the world.[50] In matters of that kind none can improve upon the art of

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[48] Harold Callender; article in New York Times Magazine, Jan. 5, 1941.

[49] Churchill's speech in Parliament; reported in New York Times Dec. 20, 1940.

[50] Nevins in New York Times Magazine, Dec. 29, 1940.

Adolf Hitler, and few can equal him currently as evidenced by his speech before the arms workers in justifying the struggle for German freedom,[51] spoken in the most subtle and effective propagandistic vein.

ROOSEVELT'S LEASE-LEND PROGRAM

In accordance with the strategy of "all aid short of war" to Britain, Roosevelt advanced the program of enlarging our capacity to produce the armaments necessary for the prosecution of the struggle preparatory to our actual involvement.

This called for the presentation of a huge budget for the fiscal year ending 1942 calling for the appropriation of $17,500,000,000. Of this great sum eleven billion dollars were to be devoted in furthering re-armament and the remainder for the normal purposes of government. It is significant that among these normal purposes there was yet set aside over a billion dollars for the aid of agriculture; of which sum the Agricultural Adjustment Program, in order to pay for crop limitation and price stabilization, received $948,000,000. Public works stimulation, work relief, aids to youth and social security allocations required almost two and a half billion dollars. The interest on the public debt reached $1,225,000,000. Only $100,000,000 was reserved for debt retirement.

At the same time it was estimated that the revenues from all sources would amount to $6,200,000,000 while another $9,200,000,000 was to be raised by floating loans. At the end of the fiscal year the public debt would be over $58,000,000,000,[52] with every reasonable prospect that it will go far beyond that amount as additional sums would be allocated toward war preparations.

Thus at the time which the President described as one of unprecedented seriousness since the founding of this nation,[53] our people still found themselves beset by the after-effects of economic crisis and dislocation in the very midst of their herculean efforts at war preparations. Chronic crisis followed by war—and after that another crisis in re-adjustment to peace-time—such is the treadmill designed for the future of the American people by those who now dominate its economy and its politics.

But in the face of the existing world situation first things had to be done first; and that was in strengthening our power, and of those whose power was or may be turned against our bitterest enemy.

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[51] Hitler's speech reported in New York Times, Dec. 11, 1940.

[52] President's Budget Message; in New York Times, Jan. 9, 1941.

[53] Roosevelt's address before first session of the 77th Congress; New York Times, Jan. 7, 1941.

In furtherance of his policy for an all-out defense, Roosevelt urged upon Congress the acceptance of his lease-lend program for the Allies. This bill gave wide powers to the President to sell, transfer, lease or lend any article of defense in arsenal, factory or shipyard to the government of "any country whose defense the President deems vital to the defense of the United States." [54]

It is inconceivable how greater powers could have been conferred upon a single man in a democracy, nor how his discretion could have been more untrammeled. Of course, there are abuses inherent in all such surrender of power. All the checks and balances of government so painfully erected through the centuries of constitutional struggle must be put in jeopardy in the crucible of conflict, for if divided counsel will result in defeat there will be left no constitutional government to save or to rehabilitate.

True, Congress still retained the sole authority to declare war, but the President in his discretion could commit acts of war and leave the ratification of his judgment to posterity. Such is the final working out of all our democratic checks and balances in government.

But absolutism and irresponsibility cannot reign in the economy of the nation without that finally affecting its political organization, whether that society be formally democratic, republican, monarchic, or totalitarian; and irrespective whether it be ruled by an elusive Emperor, a bumptious Prime Minister, a volatile Reichschancellor, an arrogant Party Leader, a humble General Secretary of the Party, or an ebullient President.

War to-day strikes before it is declared, and with lightning speed. It must be countered with lightning judgment. The judgment may be wrong, but the greater risk would consist in the absence of an immediately effective command. Totalitarianism is the end result of capitalism. But in our essentially democratic United States, such unlimited delegation of power to the President must and will be of a temporary nature, and will be surrendered when the emergency passes. Of this there can be no doubt.[54a]

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[54] Sec. III of Lease-Lend Bill; New York Times, Jan. 11, 1941.

[54a] Manuscript to this point written in January, 1941. The final chapter was written in August, 1944.

CHAPTER XXXI

The Next Twenty Years in American History

A. Preparing the Ground for the Third World War

ROLE OF THE NATIONAL STATE

ALL that has preceded this phase of our inquiry has been preparatory to the ultimate problem of the science of history, which is the delineation of the foreseeable future. With the ubiquitous evidence of the tragedy of war about us, with the ground still wet with the blood of our fallen heroes, and the cheeks of the bereaved moist from sorrow, no one endowed with the normal instincts of fellow-feeling can pretend to write in philosophic aloofness about the futility of all their sacrifices and the frustration of all our hopes in the ultimate consequences of the Second World War.

Yet it cannot be otherwise. There are fundamental conditions precedent to the abolition of modern war—not all future wars—which the dominant Powers are not prepared to fulfill, and which Western civilization is not yet ready to accept. The cautious policy of these Powers in the face of pressing political problems which arose during the war is but the precursor of the same policy which will be pursued in the defeated European countries and Asia as a whole, in a futile attempt to restore and maintain in essential elements the kind of world which they know, in a pattern which they can control.

What are those present unattainable precedent conditions to world peace, and what is the nature of American and British postwar policies which must inevitably result in even greater world catastrophe if left to run their course?

Let us consider this solid core of fact. England, Russia and the United States were thrust into the war as Allies by circumstances not of their choice, and contrary to their inmost desires. There is no, there can be no inner organic political and spiritual comradeship between them after the war is won; not even between the

United States and Britain, and certainly not between them and the Soviet Union. They waged war as a last recourse, for the best possible of reasons—to preserve their existence as independent entities. Every rationalization of the conflict stems from that single self-understood, self-justifiable fact. The high-sounding phrases of the Atlantic Charter, of the Moscow Agreements and of the Teheran Conference were so many instruments of national policy—regardless of the intentions of their authors—in the successful prosecution of the struggle for national survival. Those pronouncements require no higher justification.

There can be, there will be no surrender on the part of the Great Allied Powers—the United States, Great Britain and the Soviet Union—of a single iota of their sovereignty, and of their freedom of action in the pursuit of those policies they respectively deem essential to their welfare. In the early stages of the Second World War, when defeat was piled upon disaster, there were many high-blown phrases written and spoken about the nations yielding up their untrammeled sovereign powers to an international organization for the preservation of world peace. The United Nations facade after victory is achieved will be discarded because it will have outlived its purpose. No serious student of history can take the United Nations propaganda for more than—just propaganda.

Small powers indeed would gladly consent to some sort of arrangement whereby they would be guaranteed their most favorable status before the war. But neither Portugal, nor Holland, nor Belgium, and certainly not France, would willingly yield a foot of their empires; nor could the Central European states be restrained in their frantic maneuvering to escape the doom of history which makes them satellites in the orbit of their powerful neighbors.

Nationalism is the efflorescence of the national state. In itself it has proven to be, and still is a tremendous factor in human progress. During the course of this study we have delved into the origin and nature of the national state. The American people will never consent to yield its untrammeled power to proclaim and maintain those policies its history has shown to be vital to its existence. Until and unless the dominant world social order is transformed no other great nation can be asked to do that which would be suicidal for us. It behooves the United States to look first to its own defenses, and secondly to international friendships. The American state is the bedrock of the American nation; it is also the shield for our security as a people. We cannot lower that shield.

POSITION OF THE SMALL NATIONS

Some will inquire with genuine or feigned anguish: What about the small nation? Has it not the right to exist, to develop its institutions, to cultivate its art, its literature? The irrefragable fact is that the small nation exists, and can continue to exist, only in the shadow and by the sufferance of the Great Powers. Their rights are as broad as those national policies will allow.

But the Great Powers themselves are beset with internal problems which will render it impossible for them to maintain the post-war arrangements indefinitely. The most arduous, enervating task for a coalition is to struggle against the elements of its own disintegration. In an hour of internal weakness while changing guards, in a period of distraction induced by overwhelming domestic problems, surveillance will be relaxed. The coalition falls. Then pacts, alliances and agreements will replace the patent controls of external force; various combinations will be hatched up; somewhere a new technique for an overpowering Blitzkrieg will be developed—or will be thought to have been developed, which amounts to the same practical result—by conquered or submerged peoples; new shibboleths will be devised, and the gods of war will once again trample upon and eat up the sustenance of the earth.

Does might make right? The real world knows no other right in the final analysis. As long as mankind persists in its present level of social morality, it recognizes no other right.

Churchill whom no one can charge with being anything but a realist according to his lights, made an illuminating indirect commentary on the place of the small nation in the modern world. Before the outbreak of the Second World War, Great Britain had signed a pact of mutual assistance with Turkey in the event either of them became involved in conflict with a Mediterranean power. Finally Italy was at war with England. Turkey did not budge, despite her solemn treaty obligations; nor did she go so far as even breaking off diplomatic and economic relations with Germany until five years after the outbreak of hostilities, when Hitler's impending doom was clear.

This was the explanation the British Prime Minister offered to the House of Commons without rancour and wholly in justification of Turkey's policy: At the time when that treaty was signed Turkey felt itself in a strong military position, confident in the quality of her army, and certain of its ability to put up a strong fight against the enemy. Then came the unleashing of the Blitzkrieg technique.

Turkey, like Poland and France, was prepared to resume the same kind of war where it had left off in 1918. Suddenly she was confronted with the need for planes, tanks, self-propelled guns and motored vehicles in huge quantities. Would Turkey, in the face of a situation inviting national suicide, honor her pledged word? She would not. She would even supply essential materials to Germany in a program of appeasement. The Dardanelles remained closed to Russia, England's ally, in the day of her direst need. . . . But Britain would understand.

Britain did. Besides, and what is more to the point, she could not help herself. Churchill spoke before a sympathetic House[1] when he explained Turkey's dilemma, rather than upbraid her for her infidelity. But at the same time, in left-handed fashion, he sounded the knell of the classical conception of the untrammeled sovereignty of small nations. Henceforth no country without independent industrial resources sufficient to maintain its integrity can escape the fate of Turkey.

Walter Lippmann offers a journalistic view of the world situation.[2] He contrived out of his capacious inner consciousness a new world set-up to resolve the contradictions presented by the small nations' problem. He proposes four world communities, or orbits; the Atlantic, the Russian, the Chinese and possibly the Moslem and Hindu orbit.

In the Atlantic Community he would place the United States and Great Britain as the leaders, with France, Mexico, South America, Norway, Denmark, Iceland and, oh yes, Luxembourg as subsidiary partners; in all, some forty-odd nations of various sizes and dimensions. The level of contemporary thought on international affairs can be gauged by the fact that this was seriously presented by an outstanding columnist as the solid foundation for the creation of a new world set-up.

Let Lippmann go to work on De Gaulle first, to accept for France the station in life he so generously planned for it. If he succeeds in retiring from that conference with a whole skin, there are a few other similar problems awaiting him. One weak link in Lippmann's chain of world structure, and the entire hodge-podge falls to the ground. There are sixty-odd weak links. His solution is a purely synthetic concoction of a type of Culbertson's and Streit's and myriad others, and simply proves how insoluble is the problem of a rational world structure without accompanying changes in the dominant world economy and its ideological superstructure.

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[1] New York Times report of address, Aug. 3, 1944.

[2] U. S. War Aims—Lippmann (1944).

Scarcely a day passes but the New York Times[3] sheds its tears over the fate of the Baltic States, and Poland and the other little nations of Central Europe which, it secretly hopes, will be set up as a cordon sanitaire around the Soviet Union. That had been tried before, and contributed in no small measure to Hitler's early successes. The policy of 1918 was a powerful contributing factor to the debacle of 1939. Russia is determined to settle the problem of her security without either the advice or the sanction of that editorial sanctum. In their heart of hearts providing for the national security is the impelling motive of every statesman, though he utters the words of loftiest internationalism.

The Times may denounce Russia's policy as unilateral action on the part of an ally. Doubtless it is. So is that of England when Churchill says he will thank outsiders for not meddling in British imperial affairs. So is that of the United States which warns all and sundry to keep out of its Western Hemisphere, and now has the force with which to implement that policy on its own. The world is already divided into spheres wherein one nation asserts its paramountcy. This policy is determined by reasons of national security as for us, and for economic exploitation of colonial and semi-colonial peoples as for Great Britain.

For the Soviet Union the latter program does not apply. Its social system allows for the widest possible exploitation of its own natural resources by the labor of its own people. Her productive powers are not inhibited by the laws which govern the processes of capitalist production. Russia's foreign policy to-day is dictated by reasons of security. Even in the days of active propaganda by its creature the Communist International, her world program was intended as a bludgeon—the only one she then possessed—over capitalist nations to leave her alone to work out her destiny. The various Communist parties throughout the world became so many appanages of the Russian Foreign Office, and the Communists, whether they knew it or not, so many Fifth Columnists to carry out Soviet policy.

WILLKIE ON OUR FOREIGN POLICY

Having failed to repeat in 1944 his surprising victory of 1940 over the Republican Old Guard, Willkie had perforce to carry out his role to the bitter end, and assume the mien of a premature Elder Statesman giving advice to people who pretended to hear.[4] The

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[3] Typical is the editorial of July 27, 1944.

[4] New York Times June 18, 1944.

United States, he admonished, should use its sovereignty, not hoard it.

What the actual content of that phrase is remains a mystery his subsequent writing does not clear up. He asked for an international organization with effective power for the good of all. Since he refrained from implementing the possibilities of that program all was perfectly safe and meaningless. But he also advised that the United States revise its tariff policies in order to break down the barriers to international trade. "For no longer can tariffs be arbitrarily determined by one nation without damaging the interest of others and provoking reactions that damage its own interests." This appears like coming down to cases.

Will Mr. Willkie[4a] descend from the clouds and particularize precisely on what commodities he would reduce the tariff barriers against foreign competitors in our domestic market? Is it shoes, or the leather which goes into them? Shall it be steel, or the finished machinery products? Or perhaps Willkie's fancy, being a gentleman farmer by proxy in Indiana, runs to things agricultural? By the time the producers of the commodities he would dare mention, including their workers, would get through with this transplanted utility lawyer, Willkie would not be able to muster enough supporters to win the nomination for President on the Prohibition ticket.

LIPPMANN ON U. S. FOREIGN POLICY

In 1943 there appeared a little brochure on American foreign policy that literally took the intelligentsia by storm. Lippmann's basic proposition[5] is that American foreign policy was solvent for about seventy-five years from the establishment of the Monroe Doctrine in 1823 until the treaty with Spain at the end of the century. Since then we have been floundering in a sea of uncertainty. By a solvent policy he means one which can be enforced. Our foreign commitments were in accord with our vital interests, and the means to sustain these commitments were more than adequate (p. 60).

But every fact of our history belies this assertion. During that long stretch in our history when the national energies were directed toward expanding the boundaries south, west and northwest, we needed no foreign policy, and we had no foreign policy. Foreign policy is the extrusion on the international field of a vital program intended to conserve and promote the national welfare. The Monroe Doctrine in 1823 was merely an expression of sympathy and moral support to the budding Latin-American sovereignties. We had not the means to enforce it, and did not enforce it.

[4a] Since the above was written Mr. Willkie died.

[5] All references are to the complete Pocket Book edition.

Lippmann himself declared on page 3: "This is the principle that in foreign relations, as in all other relations, a policy has been formed only when commitments and power have been brought into balance." Now Lippmann, as well as every other student of our history knows we did not possess the power to maintain that Doctrine. Then where did the power to enforce that commitment come from? Why, bless you, from the British Navy! Generous John Bull, acting through the British Foreign Secretary in 1823 assured the United States that the British Navy would support our Monroe Doctrine against all comers (p. 12). Such was the beginning of an alliance, according to Lippmann, that lasted from 1823 to the end of the war with Spain.

Lippmann does not assert, because he cannot prove, an open alliance. But throughout his work he speaks of an understanding, a diplomatic agreement and under-cover arrangement tantamount in effect to an alliance whereby the United States proclaimed, and Great Britain undertook to enforce, the international policy known as the Monroe Doctrine. In a dozen different places Lippmann reiterates that it was the armed force of Great Britain, and that only, which supported the Monroe Doctrine against the world (pp. 16, 22, 44, 47, 50, 55-6, 59-60, 65, 67, 72). "The policy which is signified by the Monroe Doctrine became an American commonplace, and that is what a sound policy must be" (p. 62).

What kind of a sound policy is that which must depend for its support upon the armed force of another? It is beside the point to contend that Britain acted in her own interest (p. 14) by serving the interests of another. No nation is or should be ready to shed the blood of its sons in defense of a diplomacy which does not accord with its own highest interests. At no time in our history was American and British diplomacy synonymous in the New World. A policy that depends upon another nation for its enforcement, becomes in essence the policy of the enforcing nation. The overwhelming evidence is that Great Britain regarded the Doctrine as another strategic weapon in the pursuit of her own imperial policy.

For the plain facts of history, well known to Lippmann as to every conscientious student, prove that the Monroe Doctrine as an American declaration was violated with impunity by Great Britain herself whenever it suited her. Contrary to its express provisions, England took over the Falkland Islands in 1833, a brief ten years after the Doctrine was proclaimed. A few years later she seized the Belize Coast in what is now British Honduras. During the darkest days of the Civil War England joined with France in the invation of Mexico to install Maximilian Emperor under European aegis, contributing both British men and ships to that venture. Twenty-five years later England took a healthy slice of disputed territory from Venezuela to enlarge the boundaries of British Guiana. The same generous-hearted Britain that so nobly sustained the keystone of American foreign policy for seventy-five years with her army and navy, according to the Lippmann mythology, stood ready to destroy the United States by giving help to the Confederacy. The English ruling class was prevented from extending formal recognition to the Jefferson Davis government only through the firm opposition of the English workers and other inferior British classes.

But the gravamen of the entire discussion by Lippmann, the meat of his entire argument when brought up to date, is that a true American policy on foreign affairs cannot be formed in the usual democratic way by democratic discussion. The action of Monroe, Jefferson and Madison in 1823 who debated among themselves the promulgation of the Doctrine, Lippmann repeats again and again, teaches that a foreign policy can be formulated only by the intellectual elite who will not shirk the responsibility of making the initial decision. "The policy must be examined on its merits and not with respect to its immediate popularity" (p. 62). The brilliant leaders of contemporary times, he stresses repeatedly, must have the wit to discern it, the patience to elucidate it, and the stamina to persevere against mass inertia.

We have already had an example of where Lippmann's wit and discernment led to. He admits with what is intended to be disarming frankness that he helped bungle the job twenty-five years ago when he was part of Wilson's mélange at Versailles, and later when he supported the Washington Naval Conference pacts of 1922. Having made a clean breast of it, he feels himself entitled to another chance at playing with the lives and the fortunes of a nation. Hundreds of thousands of American casualties in the Second World War and hundreds of billions of American wealth spent in its prosecution are the grim penalties we have paid for the failures of Lippmann and his kind. Yet these are the supreme bunglers who are to be entrusted with making the provisions for keeping the peace after this war, a settlement which will carry within its entrails the seeds of the Third World War.

ROOSEVELT'S POST-WAR PLAN FOR WORLD ORGANIZATION

Our analysis of Roosevelt's Administration has shown the President to be an improvisor of the moment, though a man of genuinely humanitarian impulses, and not a statesman who possesses a firm knowledge of the nature of the social forces with which he operates, and by which in the final analysis his improvisations will be destroyed. But perhaps the quality of statesmanship is incompatible with the qualifications essential to the achievement of the Presidency. The sober truth is that among the long list of incumbents of that office only three—Washington, Jefferson and Lincoln—attained to the highest attributes of statesmanship.

After all that has transpired since 1919, the year of the Versailles Treaty, the best that Roosevelt could do was to propose in 1944—the elements of another Versailles Treaty.[6] There is to be an association of all peace-loving nations. An elective Council is provided for, "elected annually by the full representative body of all nations, which would include the four major nations and a suitable number of other nations." By the four major nations he meant of course, the United States, Great Britain, the Soviet Union and China.

It is the sheerest cant to include China, which will need at least fifty years to stabilize and modernize herself, and must meanwhile be dependent upon the good will of the other three Great Powers. It is the most dangerous kind of shortsightedness to exclude France from the position of a Great Power among the nations. Unless France is restored and rehabilitated from her temporary eclipse to that rank in the hierarchy of nations, she will prove to be the Germany of the future. And by restored, we mean through her own efforts, with the careful and judicious co-operation of the Allies. France has suffered too grievously from the consequences of her defeat and temporary eclipse not to gather about her what is left of Continental Europe; yes, even of defeated Germany, and together with the resources from her own loins weld a power with which the grand-strutting present Great Powers will have ultimately to deal. France's day is far from done.

But Roosevelt was quick to add that in rattling the bones of a recreated League of Nations he was not thinking in terms of a superstate, with its own police force and other paraphernalia of coercive power. There would be an international court "to deal primarily with justiciable disputes."

One is aghast at such maladroitness; it is impossible to call it naïveté. It is precisely the non-justiciable disputes, the really vital differences where national security and economic well-being are involved, that lead to modern war. Roosevelt's World Court assuredly will encounter little difficulty in compromising matters among the nations concerning the control of the opium traffic, the white-slave trade, iceberg patrol, international health regulations and so forth. But Roosevelt's Peace Pact will encounter as many reservations in the United States Senate as to what American interests are not justiciable as did its counter-part a quarter of a century ago.

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[6] Published in the New York Times June 16, 1944.

That Roosevelt's plan is nothing but a re-hash of the defunct League of Nations was the opinion of every commentator. So wrote Edwin L. James.[7] That was the judgment of Anne O'Hare McCormick [8] in her column. The Times stated bluntly: "In broad outline the plan for world organization Mr. Roosevelt sponsors follows the pattern of the League of Nations." [9] Why the fate of the new League will be any different than that of the old League in a world structure which is essentially the same, Roosevelt did not disclose, nor can any one else. It is the sheerest evasion of the problem—with ultimate consequences from which the mind recoils when contemplating the horrors of a future war—to say that this new League will bring to bear its combined armed forces against an aggressor. Those armed forces will not move unless at the command of their separate sovereignties.

Who, when and what is an aggressor? Have we so soon forgotten the lessons of Mukden, of Shanghai, of Addis Ababa, of Vienna and Madrid? Yet all those were barefaced aggressions in full view of mankind, which closed its eyes and stubbornly refused to see the facts because we were not prepared to pay the price of such recognition.

Yet how much more subtle are the tactics of an aggressor in the formative period of her designs? Germany did not once and for all declare her intentions to the whole world. First, she selected her time during the midst of a world depression when the United States Congress, for one, was haggling over a billion dollars or two for the relief of human distress. The furthest thought from the minds of American statesmen was involvement in foreign troubles when they had plenty to cope with here at home. True, Hitler could have been scotched at the beginning. But consider the cost! . . . The cost of the war only to June 1944 was over two hundred billion dollars.[10]

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[7] New York Times June 18, 1944.

[8] New York Times June 19, 1944.

[9] New York Times editorial June 17, 1944.

[10] Charles Hurd in the New York Times June 18, 1944.

It is ridiculous for public men to say that we could not know in 1933 what Hitler was up to. Millions of intelligent observers throughout the world knew the significance of Fascism and opposed it from its very inception with Mussolini, and warned all who would listen against it. But the dominant classes among the World Powers had their own designs.

Germany had prepared the ground for considerable support among the wealthy classes in England, France and the United States by posing as the champion of Western civilization against the hordes of Russian Asiatic Bolshevism. Nor did she miss the tactic of anti-Semitism which is sure-fire amongst vast masses everywhere, including the ultimate opponents against whom Germany was secretly girding. When the time for marching came, it was not as an obvious aggressor against the world peace, but with tearful, heart-rending protestations of only closing up the wounds of Germany's bleeding frontiers in the Ruhr, in Sudetenland, in the Danzig Corridor, and for Anschluss with her beloved children in Austria.

Was a Frenchman ready to die for dear old Danzig? Or an Englishman? Or an American? The aggressor of the future will study well Hitler's strategy which, besides, is as old as history itself.

The American Bar Association, containing the best American brains in captivity outside its State Department has already presented us with the blue-print of the world judicial organ. They will continue and extend that paragon of authority, the World Court of 1922.[11] They will organize Circuit Courts in addition, sitting in the capital of each nation, and judging all violations of international law "over which it will be given jurisdiction by agreement between the parties." In their own legal world jurisdiction is not conferred by the grace of the litigants, but is majestically asserted by the Court in appropriate circumstances, and woe to those who dare defy it.

The advantage of Circuit Courts "was demonstrated in the history of the development of judicial tribunals in various nations." What those profound legal brains did not demonstrate was whether the judgment of the court would be enforced by simple timely service upon the defeated party in the proceedings, or by recourse to the armed force of the League which, Roosevelt was quick to assure, will not be created. At home the United States Marshal attends to that in the final resort. What will be the resort of the World Court?

Whether or not a formal peace conference will be convened after the defeat of Germany and Japan is immaterial to the real issue, which is that a de facto peace settlement will have to be evolved. There could be no doubt that Churchill and Roosevelt dreaded the day when they would be compelled to come to grips in actual conference with the myriad questions urgently demanding settlement.

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[11] Plan proposed and adopted by the Bar Association; N. Y. Times July 29, 1944.

To none of these questions have the Allied leaders formulated definitive answers. The only thing Churchill was certain about, and the point in which the House of Commons was most deeply concerned was the assurance that the British Empire would emerge stronger than ever, with a twenty-year treaty of alliance with Russia as the bulwark of its European policy; [12] at least for the present.

THE INTERNATIONAL MONETARY CONFERENCE

Characteristic of this uncertainty was the formal forerunner of international conferences to come in Bretton Woods, New Hampshire during July 1944 to agree on the articles for the International Bank for Reconstruction and Development. In all, forty-four united and associated nations participated. Its declared policy was to promote international monetary co-operation and facilitate expansion of international trade, protect exchange stability, create confidence in private foreign loans of capital, and lessen the degree of disequilibrium in the international balances of payment.[13]

These praiseworthy objectives were to be achieved by the creation of a fund of ten billion dollars in terms of the American dollar, based on $35 for an ounce of gold. This sum was to be subscribed by the participants in accordance with a definite quota schedule. The contribution of the United States was set at $2,750,000,000; Great Britain $1,300,000,000; the Soviet Union, after first protesting a smaller assigned quota, agreed to increase its share by one-third, to $1,200,000,000. The subscription of each member was to be twenty per cent on call, and eighty per cent subject to call only when required to meet the obligations of the bank. But in section 7 of Article Two was the provision that only two per cent of the quota subscription shall be payable in gold or United States dollars, the remaining eighteen per cent to be paid in the currency of the member.

In other words, the United States was to put up its entire commitment when necessary in good dollars or its prime equivalent, while the other nations were privileged to put up their own depreciated or artificially inflated currency. Furthermore, in Article Five, section eleven was the proviso that each member shall designate its own central bank as a depository for all the International Bank's holdings of its currency. The Bank would have a mighty hard time collecting when the going got rough, and once more good old Uncle Sam "will then be in the position of having to put up more dollars or be exposed to the charge of responsibility for the breakdown." [14]

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[12] The Prime Minister's Address on British Foreign Policy—N. Y. Times May 25, 1944.

[13] Text of the Articles for Establishment of the International Bank—N. Y. Times July 24, 1944.

Naturally, the Big Three—the United States, Great Britain and Russia—having put in the most money, had to make sure that the forty odd participating nations did not play ducks-and-drake with the Bank funds by depreciating their currency and so reducing the actual, though not the nominal, value of their contribution. Also the majority quota Bank stockholders reserved the right to make changes in the par value of the currencies of all members to protect the fund against depreciation by not so solvent currencies.

If, for example, argued the American spokesman, the Mexican peso dropped to twenty per cent in value, the country concerned would have to put up more pesos so that the gold value of its quota would be the same as before. If the Mexican peso was worth only twenty cents and Mexico got $10,000,000 from the International Bank fund, it would have to pay 50,000,000 pesos into the fund.[15]

The aftermath of this statement was typical of the small nation problem. National honor was at stake. Who was to determine when a nation's currency was below par? A paper peso is a peso as good as any American paper dollar on the face of it, was the impassioned rejoinder Antonio Espinosa de Los Monteros of the Mexican delegation. That clause in the Articles would force the smaller nations "to surrender a maximum amount of their monetary sovereignty to the three largest powers." He insisted that the provision permitting a devaluation of a nation's currency be changed from a majority of the Bank's stockholders to a majority of the participating members in the Bank. The result would be that twenty-three small nations with a billion dollars in the fund could over-rule the Big Three with five billion dollars in the fund. "A compromise on principles is impossible," declared the eloquent Mexican delegate.[16]

However, lest some nervous American become pale at the thought that all is irretrievably lost, and that Uncle Sam is in for another good bilking, it would be comforting for him to know that Article Twenty-two provided that the Agreement shall enter into force when it had been signed on behalf of governments having sixty-five per cent of the total of the quotas set forth in Schedule A; and at any rate, each government must agree separately. We had it on the word of Senator Taft[17] that the World Financial Stabilization Plan would encounter even harder sledding in Congress than the Versailles Pact experienced in the Senate when it was before that body for ratification. Not the least formidable of the objections raised will be those very trade policies for stimulating world trade which, if effective, must lower the tariff barriers and flood the American market, to increase employment abroad by increasing unemployment at home.

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[14] National City Bank of New York bulletin summarizing objections raised by opponents of the scheme—July, 1944.

[15] Argument of Harry D. White, member of the United States delegation to the Monetary Conference.

[16] N. Y. Times July 15, 1944.

WILL A FORMAL PEACE TREATY BE PRESENTED FOR RATIFICATION?

If such well-nigh insuperable obstacles confront us over a minor monetary stabilization program, how much more difficult will be the re-organization of the world structure after the final Axis capitulation? As far as Japan is concerned, the matter is comparatively simple. The United States will see to that. If there is anything certain in this uncertain world, it is that we will not brook outside interference with plans for dealing with our mortal enemy at whose hands we have suffered so much humiliation piled upon the crowning disgrace of Pearl Harbor. That score will be settled, and the slate will be wiped clean.

Japan will be rendered militarily and industrially impotent. The lopping off of her conquests during fifty years of aggression is a matter of course. She will be deprived of all industrial means for waging future war. Woe to the United States if Japan is left with industrial equipment for the production of anything more formidable than toys and gew-gaws and for essential light industry. Her surplus population must be dispersed in relatively empty Asiatic lands. She must revert to the Hermit Kingdom, or the road back will have to be fought all over again. Better to feed rice to her surplus population than to feed Japanese guns at a later date with the flesh and sinews of American sons.

If only Russia could have the same free hand in Germany! Stalin has proven himself to be a thorough-going Marxist in his appreciation of the role of the modern state and the primary importance of producing the means of production before concentrating the major industrial effort on the production of the means of consumption. It was this emphasis upon the building of her industrial equipment in the various Five Year Plans that enabled Russia to perform the miracle of Stalingrad, and all that followed from that most decisive turning point in history. It is doubtful whether all the aid sent to Russia by the United States and Great Britain added up to ten per cent of her armament. The rest she produced for herself. That is the real miracle of Russia.

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[17] N. Y. Times July 12, 1944.

If Germany is to be removed permanently as a military factor, she must be de-industrialized to become a predominantly agricultural country with essential light industry. This means an ultimate redistribution of her excess population. The victorious nations must be prepared to accept them. Germans are no better and no worse than any other modern people. As long as eighty million of them live in Germany, the industrial demands of a capitalist economy make inevitable the recurrence at a later date of 1914 and 1939. There is no, there can be no other solution for the problem of Germany to-day.

But unfortunately that will not be the solution accepted. There are too many conflicting national ambitions involved in whose calculations a moderately strong Germany—they still think in those terms—is essential for Europe's equilibrium, or rather as an instrument for their own manipulation. Some will try to dismember Germany, and may succeed; but if they leave intact her industrial potential in the expectation that they will exploit that for their own purposes, they will have another rude awakening a generation from now. France, Belgium and Holland, as long as their existing social system exists, may imagine to build up their own war potential through the domination of German industry. And Germany will be very earnest in fostering that belief. But an industrial Germany no matter how split up, but with a capitalist economy, must become a war-like Germany. The overwhelming integrating influences will assert themselves at the proper time. No one should put faith in a revolutionary Germany until the present generations have passed on.

All this requires clarity of conception and unity of purpose. This the Allied and associated nations do not possess. Only Stalin, having no one to consult but himself, could act with the necessary vigor against Germany. But it is doubtful—to be more explicit, it is certain—that he will not be given a free hand.

Russia possesses both the virtues and defects of an enlightened dictatorship. Her social system is not grounded, as Hegel would put it, in the spirit of a people's self-conscious realization of freedom through the struggle and contradiction of opposites. That is the sure bulwark of a democracy such as ours, developed through the centuries, and itself the spiritual inheritor of English constitutional struggle over seven hundred years. The selection of a successor is the bane of dictatorships. If the world could be guaranteed that Stalin will remain at the helm of the Soviet State in full vigor for another twenty years, there is no question that Russia will assume rank among the most advanced nations politically, as she bids fair to become a tremendously powerful nation industrially.

Russia's social system as distinct from its present undeveloped political forms affords the widest possible latitude for industrial growth. Agriculture itself has already been industrialized in what was once the most backward part of Europe. All the inhibiting factors which restrain capitalist production are non-existent in the Soviet Union. As long as her Socialist economy prevails—and the world must now recognize that Stalin has remained true to the fundamental principles of Marxian Socialism in its economic aspects—there will never be crises, unemployment and limitation of production because of the inexorable operation of economic factors. As long as her material resources permit, and these are almost illimitable, labor will be actively employed and exports reduced to the bare essentials for the world inter-change of products.

But in the present state of world organization, the cordon sanitaire policy in one form or another must be revived by the capitalist nations. That is their instinctive reaction. Despite the enormous contribution of Russia to Allied success, there exists among us a tremendous ground-swell of the old anti-Soviet sentiment awaiting an opportunity for expression. Russia senses that, and she is tending to her own defenses.

It is absurd to ascribe imperialistic motives to her policy. People who remember only the history of the school-books cannot grasp the significance of the history that has been made, nor of the history in the making. The Czarist expansion toward warm water ports was well enough in the days of mercantile capitalism. It is meaningless today under a Socialist economy. A few square miles east or west of the Curzon Line counts for little indeed in the enormous expanse of the Soviet Union. But as a future base of operations against her they are a great deal in unfriendly hands.

Russia has shed too much of her blood to allow the nations bordering her Western frontiers to become the tools of external aggression. This simple fact sums up the entire content of her European policy. Russia wants to be let alone to work out her destiny; she is determined to be let alone as her march from the Volga on Berlin proved.

TWO CONFLICTING WORLDS—CAPITALISM AND SOCIALISM

There is an influential school of wishful thinkers which likes to vision Stalin as a counter-Marxian, as a sort of Peter the Great Russian nationalist, who is reverting Russia from the ways of early Communist sin to the impeccable virtues of a normal, which is a capitalist, society. Among them are Pitrim Sorokin, Sir Bernard Pares,[18] and of course the editor of the New York Times. Having failed to destroy the Soviet State by intervention—directly as in 1918-21 and indirectly when they hoped to involve Germany and Russia in war to their mutual extinction as dominant Powers—they now endeavor to derive whatever soul-satisfaction they can from their theory of the emasculation of Russia's early revolutionary doctrine, and that its ultimate disappearance by evaporation cannot be far off.

This theory would not be worth disproving did it not disguise dangerous implications to future world stability. Russia's Socialist economy will go on, and will continue to prosper in a world of capitalist stagnation. The debate as to whether or not Socialism can be built in one country has been resolved once and for all by the intrepidity of the Red Army and the sacrifices of the home front behind it. The eyes of envy in the Western world will be further distorted by sentiments of malice to sharpen the tongue of propaganda. Causes for misunderstanding will be invented when they cannot be discovered. Again an anti-Soviet combination will be sought, and one will be produced. The next time it may be an ambitious French Hitler who will aspire to world domination with the blood-stirring appeal to restore France's faded glory by assuming the role of the champion of Civilization versus Bolshevism.

That Russia is a Socialist State must be conceded by every impartial student of her system; not that she is overly concerned with what outsiders think about her economy. This fact is of tremendous world significance. The favorite arguments advanced to the contrary are summarized by the New York Times [19] as follows: What we see there is state capitalism, despite all the attempts to obscure that fact by resort to Marxian dialectics. Internationalism has been replaced by Russian nationalism. The plant manager as an agent of the state is a boss within his plant; he hires and fires; fixes pay and norms of work; is responsible for efficient operation, and for economical and profitable production. The manager's pay is several times that of a skilled worker, and what we see is not Marxian Socialism, but the Russian version of our American Burnham's "Managerial Revolution." This, too, is the position of Eric Johnston, President of the United States Chamber of Commerce after a tour of the Soviet Union.[20]

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[18] That is the burden of Pares' book, Russia and the Peace (1944).

[19] Editorial, May 21, 1944.

[20] New York Times July 13, 1944.

This anxiety to obscure one of the most fundamental realities of modern life proves how deep-seated is the cleavage between the Socialist and capitalist worlds, and how soon the shotgun honeymoon of the alliance with Russia will be over.

For the sake of intellectual clarity, the realities of Russia's economic system must be emphasized: As long as the land, the mines, the industries, all commerce and credit facilities are the property of the Russian nation, Russia will remain a Socialist state. No individual no matter how wealthy, no group no matter how powerful, can undertake the private operation of vital industry for the purpose of profit. The laws entering into the formation of the average rate of profit, which are such a tremendous inhibiting factor in capitalist economy, do not and cannot operate in the Soviet Union so long as the means of production are the property of the people. The phrase state socialism or state capitalism, used interchangeably by slip-shod thinkers, is equally meaningless as applied to Russia. The economic categories of rent, interest and profit do not go for the benefit of individuals, but into the coffers of the state for the benefit of the entire people.

We are not now passing judgment on the political aspect of the Soviet State. Throughout this work we have emphasized that American democracy, for all its short-comings, is infinitely more preferable than the most enlightened despotism on earth. But the next twenty years of peace for Russia will, under the favorable circumstance of a like-minded and equally able leader as Stalin, result in the evolution of the Soviet Union into a genuine democratic state—for without genuine democracy Socialism is impossible.

Critics of the Soviet system overlook its most decisive element—the removal of restrictions to production inherent in the profit system. Johnston can speak with enthusiasm concerning Stalin's new post-war Five Year Plan where steel production will be trebled over its pre-war total; and there is not the slightest doubt that a subsequent Five Year Plan will seek to double that. We in the United States are now blessed with a ninety-million ton annual steel production capacity, about forty percent over pre-war levels. Great anxiety exists whether future operations can profitably exhaust that capacity after the flush of the post-war boom is over, with consequences equally grave for both capital and labor.

Since so much is made now-a-days about the inequality of pay in the Soviet system, as evidence of back-sliding from orthodox Marxian theory to the path of capitalist righteousness, it is important to emphasize in the name of scientific accuracy that Marx foresaw that over sixty years ago. During the first stages of Socialism, he wrote, while preparing the ground for Communism, the individual producer is remunerated according to his contribution, so as to stimulate the development of his individual productive powers without which a higher level of civilization is impossible.[21] During the transition period relative values must play an important role in determining the compensation of workers.[22] This period will be long and arduous, transforming circumstances and men.[23] Rent, interest and profit may appear under Socialism, but with an entirely different significance than under capitalism.[24] Engels, Marx's great collaborator, wrote at that time that inequality in wages in early Socialist society was both inevitable and necessary as a lever for further progress.[25]

Will Lissner, the New York Times expert on the decadence of Marxism in Russia wrote [26] that the theory of social cost accounting of bourgeois economists like Clark of Columbia and Taylor and Lange of the University of Chicago "has been assimilated into Russian economics." Actually Marx taught the overwhelming importance of cost accounting in Socialist production eighty years ago,[27] while Lenin, Marx's great disciple, the father of the Russian Revolution and the architect of the Soviet State, planned a rigid system of production accounting and control as of equal importance with the Red Army in the protection and maintenance of the Socialist State.[28]

This subject would be merely of academic interest did it not cloak the tremendous cleavage between the two worlds which must ultimately come to grips. For the immediate present, every effort will be made by the Allies in the West, in that part of Europe which they will control, particularly Italy, France and the Low countries, to repress the elements of social revolution and re-establish as far as lies within their power, the social system as it prevailed before the war. There will be attempts at reform and amelioration, but in the final analysis the basic evils cannot be eradicated.

Meanwhile the Soviet Union will gather about her borders friendly powers as her future allies. With real sincerity Russia can claim that she does not desire to meddle in the internal affairs of any of them. World revolution is no longer a political weapon for self-preservation. In fact, she will actually strive to maintain the bourgeois democratic system among them as evidence of her sincere desire to tend to her own fences and obtain economic assistance for facilitating reconstruction. Communists in other lands will become as rabid supporters of the status quo as before they were active in condemnation. The Third International as an instrument of Soviet policy has outlived its day, unless and until the world situation will compel its revival in some form by Russia as a Fifth Column for self-defense.

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[21] Gotha Program—Marx, pp. 28-31, S. L. P. ed.

[22] Capital—Marx, Vol. III, pp. 207, 221, 919.

[23] Civil War in France (1871)—Marx, p. 44.

[24] Capital—Marx, Vol. III, p. 1029.

[25] Anti-Duhring—Engels, pp. 115, 119, 227.

[26] New York Times July 2, 1944.

[27] Capital—Marx, Vol. III, p. 992; mss. written during 1861-63.

[28] State and Revolution—Lenin, pp. 75-77, written on eve of the Bolshevik Revolution in October 1917; also Lenin's historic address before the All-Russian Soviet of Workers, Soldiers and Peasants Deputies in 1919 on the adoption of the American Taylor System of industrial efficiency and the establishment of the Commissariat for Accounting and Control.

WHY THE PEACE SETTLEMENT MUST FAIL

1. No effective international organization can be set up to overtower the Great Powers. Those interminable minor disputes, in the eyes of the major powers, will run their course among the small nations. War between Bolivia and Paraguay, Ecuador and Peru, Bulgaria and Roumania, or any number or combination of them, or of that type of warfare will go on without let or hindrance, and often with supplies sold by the virtuous Great Powers to the belligerents. If matters get somewhat out of hand, some form of economic sanction may be imposed to confine the conflagration. But of this we can be absolutely sure: The world organization, whatever its formal aspect, will not dare to intervene between the Great Powers in disputes which are of vital concern to their security and economic well-being.

2. There will be no independent enforcement agency. The creation of such an effective force, actually free from control or manipulation of the separate sovereign powers, would mean the creation of a super-state, and to that none of the Great Powers, and few of the small powers, would agree. The very foundation of modern society is predicated upon the sovereign national state, and no nation can yield the essence of sovereignty, which is unlimited self-determination of essential policy, and survive as an independent entity. The roster of nations to-day contains the names of peoples who are formally, not actually, free and independent sovereignties. These help fill up the seats at international conferences, and many of the smaller ones provide the most sumptuous entertainment for the delegates. But that is where their role ends.

3. The United States, for one, will never submit as justiciable any disputes involving its unquestioned military, naval and air supremacy in the Western Hemisphere, or that will disturb the favor-

able arrangements of the balance of power in her Pacific sphere. We will not permit an outside power to control our trade or tariff policies. We will resist any attempt to deprive us of access to the markets of the world for those materials essential to our economy and for our defense. What we ask for ourselves, we cannot deny to Great Britain, the Soviet Union or any other power which assumes the rank of Great simply because it possesses the force, or the potential political arrangements for the massing of adequate force, to maintain that position.

4. The small nations of southwestern Europe will gradually coalesce about France as the center for their mutual support, and of resistance to further encroachments upon their shadowy sovereignty. After the terrific ordeal through which France has passed, she will experience a tremendous resurgence of the national spirit once she becomes mistress of her destiny again. France has but to exhibit the scars of her travail to win universal sympathy in her campaign to return to the top-most rank. But France does not possess independent resources for such a role. She has drunk to the dregs the bitter cup of humiliation in defeat and the necessity for salvation at foreign hands. For that very reason she will resent British and American interference with her plans to assume again an independent role in the affairs of the world. This is the only rational explanation for the intransigent role of De Gaulle. Alliances will bring about counter-alliances. Russia and England will pay anxious heed. The only solution for a future militarist France is a Socialist France. That would mean a Franco-Russian combination which Britain and the United States will strenuously oppose; a capitalist France must be an imperialist France, and necessarily a military France. France holds the key to the future of European, and therefore of world peace.

5. Control of vital world resources, such as oil, will remain where they are, in the hands of Great Britain, the United States and its satellites. What a hollow promise the Atlantic Charter remains when it comes down to fundamentals is seen in the text of the Anglo-American Oil Accord.[29] After the usual preamble of generalities, such as making oil available in international trade to the nationals of all peaceable countries at fair prices and on a nondiscriminatory basis, there is the provision of the contracting parties that it shall be "subject always to considerations of military security and to the provisions of such arrangements for the preservation of peace as may be in force." Who is to be the judge of military expediency? None other than the contracting parties, which may include others besides the present signatories. In the final analysis, control of this and other

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[29] New York Times August 9, 1944.

natural resources are to remain with the Power that has them, and possesses the force to retain them. It is no answer to say that future technical progress in the synthesis of oil products will make that agreement worthless. Of utmost significance is the disclosure of primary world policy on the part of the have-nations toward the have-nots. And of those who have, but do not possess the power to hold, even that shall be taken from them. Julian Louis Meltzer[30] described in a dispatch the division of the oil resources of Saudi Arabia in an Anglo-American agreement. The Middle East will be garrisoned like Egypt, and Palestine's future is to be divested of all sentimental association in the determined pursuit of imperial policy dictated by strict national necessity.

6. Diplomats traditionally possess no vision beyond the dictates of the moment, though their language is that of the future. Essentially they are agents of their principals, while their actions are determined by the limited interests of the nation they represent. The agreements must be based on the realities of the given historical situation. But these are continuously being modified by new situations, which must give rise to new re-alignments. The peace treaty becomes out-dated before the ink of the signatories dries. This does not become immediately apparent. Soon fissures in the diplomatic structure are visible, injustices become manifest, disagreements concerning fact or interpretation widen the cleavage, and before long the treaty provisions, or the world settlement arranged without benefit of formal treaty, are no longer in accord with the new situation. Another Versailles is in the making. That has been the history of every great peace settlement during the past two hundred and fifty years.

7. Alongside of the formal treaty arrangements, sometimes in conformity with them, and often directly contrary to their provisions, there will arise new pacts, new alliances and changes in the specific gravity of existing alignments. The deeper the lines of cleavage, the more bewildering becomes the intricacy of the diplomatic pattern, until the entire house of cards will crumble as it did at Munich. No treaty despite its most solemn obligations, no alliance regardless how binding the phraseology of its provisions, will survive a vital modification in the position of the contracting parties. The promises of nations are implemented only when their present security is threatened. Moral abstractions in international affairs are devised by diplomats, debated by politicians and forgotten by statesmen.

8. Germany will not be de-industrialized to a predominantly agricultural status. After her unconditional surrender an entirely new

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[30] N. Y. Times dispatch May 3, 1944.

set of factors will come into play. One has but to recall the shifting and uncertain policy of the Allies in Italy since the downfall of Mussolini to realize how difficult becomes the problem of treating with a defeated enemy. The war-time leaders are gone and with them evaporate the stirring hatreds. Old slogans are discarded, new shibboleths appear. Different statesmen come to the helm. In the conquered country there arises, at first meekly, the voice of penitence, then more loudly the appeal for help. This request, which is hard to deny, is for food and medicine for the weak and the helpless; until finally by gradation there will come, as in Italy under Bonomi [31] the bold demand for some sort of lend-lease assistance as if there had been no mortal combat; or, at any rate, that is of unpleasant memory and should the sooner be forgotten. A Germany whose industrial plant is not removed and whose recreation under any circumstances is not prevented must repeat the drama of 1919 to 1933, when it will be too late to stop a new set of circumstances from gaining headway before the war-weary victors. Only Russia will have the foresight to insist upon the program of de-industrialization; but by haggling on one side and procrastination on the other the time for effective action will have passed, and the treadmill of another World War will get started all over again.

9. Conflicts over world markets and trade policies must arise. This is inevitable under a capitalist economy. Products are made primarily to sell at a profit; but the sale must be effected, or the entire productive process slows down. Dumping of goods upon a foreign market at below even cost of production is a weapon distinctive of monopoly capitalism so as to remove excess commodities from the domestic market, and incidentally kill off foreign competition. Every industrial nation—and all must strive feverishly to maintain their industries—will guard against this by erecting suitable tariff barriers. All the world economic conferences, and all the reciprocal trade pacts Hull and his counter-parts can devise will not avail against this inexorable law of capitalist economics. "Export or Die" is not merely an effective political slogan; it is the law of survival for capitalist nations with limited natural resources. We are not discussing the normal inter-change of products, say between Brazil and the United States, of coffee in return for manufactured products. But already that great South American country with our help is building up an extensive industrial plant of its own, which bids fair in time to exclude foreign manufactures from its market through the familiar device of protective tariffs. That has been the history of every enter-

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[31] N. Y. Times July 29, 1944.

prising nation that first set its halting steps on the road to industrialism.

10. Imperialist exploitation of colonial and semi-colonial peoples will increase, rather than cease as an aftermath of the Second World War. All the fine phrases of the Atlantic Charter of equal access on fair terms for all nations to the resources of the world are just—phrases. This is not to impugn the good intentions of Roosevelt and Churchill; certainly not those of the former. But the laws of capitalist competition, this time among giant trusts and kartels, will compel their nationals and their foreign associates to seek out advantages, to shave differences, to cut corners, and finally to corner world control in an iron-clad grip. The economic consequences will reverberate in the chancellories of the world, and the political repercussions on the international scene must finally exhibit themselves in their grim realities. Imperialism, in the apt phrase of Lenin, is the highest and most destructive phase of monopoly capitalism.[32]

11. Anti-Soviet bias is inherent in the ideological reactions created by the dominant world culture. This is bound to increase as the contrast between the thriving Socialist economy of Russia and the decadent capitalist economy of the other Great Powers becomes more striking. If at the same time the Soviet Union should be able to broaden and deepen the popular democratic base of its state power, this will hold out a definite threat by sheer force of example to the stability of the capitalist nations. But Russia on her side will be quick to organize strategic alliances. If her diplomacy was able, despite her obvious industrial shortcomings and internal weakness as exhibited in her purge trials, to maneuver the statesmen of Britain and the United States on her side in the war against Germany, when all the capitalist world desired to turn Hitler loose against Russia with their blessing, she can be depended on to ward off any future threat by another Hitler prototype through a similar combination of anomalous supporters. For all the world knows instinctively that Russia to-day wants, and for the next generation or two will desire nothing more fervently than peace, than the opportunity to develop more fully the inherent possibilities of her Socialist economy. A future war will again see the Soviet Union allied with the peace-loving nations against the aggressor; an aggressor which in its early days will receive, as did Germany, material and political support from capitalist powers as a possible destroyer of the world's first Socialist State.

12. Economic crisis, depression and social stagnation is inevitable

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[32] Imperialism—Lenin; sub-title of brochure.

in every Great Power where the capitalist mode of production prevails. These nations have had such a long start that despite periods of recurrent regression their standards of living are far above that of less developed nations. But all comparisons are relative. It is the active social forces and their tendencies that are decisive. It is little comfort for an American unemployed worker whose car is repossessed and his home threatened with foreclosure to be told that millions of Chinese live on a few cents a day, and that the average Russian worker cannot even dream of having a private car. In the United States, as in every country with a capitalist economy, production is not gauged by the extent of human wants in relation with material and labor resources, but by what can be sold at a profit in a solvent market. Failure to get out of this vicious cycle is characteristic of capitalist production, in which production stops because of the lack of solvent buyers, and buyers have not the means to purchase because the economic machinery has stalled, and curtailed the revenues of production in the form of wages, profit of enterprise and ground rent to the economic categories. Among the sure consequences of crisis is the absorption of the national energies in domestic problems, and the unwillingness to engage the country's resources in international quarrels. That was the origin of so-called pacifism of the Allied nations during the 1930's, and the same immersion in home problems will give another have-not Axis combination their favorable opportunity to burst the restraints of existing world capitalism in a gamble for world power of their own.

13. There is noticeable throughout the world the collapse of the old progressive and liberal spirit. The radical movement is now dead. The restraining hand of these once effective pro-social elements upon greed and injustice is palsied where it has not withered altogether. Liberals and progressives of sorts still make a noise, though a feeble one, but it is lost in the cacaphony of discordant programs evolved from miscomprehension of current social forces and tendencies. Their ideologies were evolved from the middle nineties, and their current programs were stale forty years ago. Since the advent of the Russian Revolution the Communists throughout the world, with the important exception of England, have displaced by one means or another the historic Socialist movement as the center of radical activity. The usual method by which this was achieved was by the tactic of disruption, then capture or annihilation. But because of the centripetal influence of Russia, the various Communist Parties became the national exponents of Soviet foreign policy; in essence, Fifth Columnists owing allegiance to a foreign power while claiming the privileges and immunities, though without

the obligation, of a genuine political party within the country of its organization. This factor, more than any other, has led to the present atomization of all radical movements, and the hopeless confusion of sincere radicals everywhere. This must prove to be a powerful factor in the post-war growth of reaction among the dominant powers of the world.

14. During the past fifteen years we had ample opportunity to observe how little the democratic spirit has taken actual hold among the peoples of the world; yes, even among the leading democracies. We were too prone to accept the formal growth of republican forms among nations in the nineteenth century in lieu of the democratic spirit without which they became caricatures of the great American pattern. Among all the nations of the world, only the United States, Britain and France can be called truly democratic; and each must shamefacedly hide glaring defects in their political and social patterns. This has not prevented the Fascist powers from disclosing them to the scorn of their supporters. Nor is Fascism, of which the German Nazi product is a distinctively national development, foreign to large classes in those countries which proclaim so loudly their adherence to democratic principles. Fascism is the ideological expression of capitalist society in its decadence. After the present victory will have been won, the ideological struggle will have to be fought all over again by sincere democrats against the most influential classes, who number among their allies large segments of the intelligentsia and the rabble-rousers of the indigenous lumpen-proletariat.

15. Literacy is not synonymous with culture; nor is culture equivalent with the efflorescence of humanitarianism. The tremendous outcropping of bigotry, brutishness and selfish disregard for the elemental decencies of existence has proven to horrified pro-social intellectuals how deep is the chasm of mass ignorance, how forbidding the consequences of intolerance. Outside of our mechanical gadgets, it is doubtful whether the human race is much different from the time of Attila and Genghis. The lofty morality of the monistic religions has scarcely penetrated the inner consciousness of mankind; obviously it has left but little impression upon it. In our own times we have witnessed a throw-back of social morality to the dimmest era of the human record in its utterly callous disregard for the sanctity of human life. Given a self-justified slogan and there is no depravity to which the current crop of mankind is not ready to descend. The once noble radical movement has degenerated with the rest into a lot of unprincipled seekers of power and self-glorification. We have a long way to go to regain the ennobling morality of the early twentieth century which was rapidly moving mankind to a higher plane

of existence until there came the First World War with its aftermath of disillusionment, dictatorship and degeneration.

16. After the peace, nations will remain armed to the limit of their resources. Not again will they be caught unprepared. Peoples will live in a constant state of semi-mobilization. Despite all the assurances of mutual security, each will look first to its own armaments. Detecting flaws in their preparations—since no nation or combination of nations feels secure unless they possess an overwhelming preponderance of armed might over possible enemies—international conferences will be convened with the view of allaying very justifiable fears; more powerful private alliances will be sought, and after the first period of exhaustion from the present struggle will have been surmounted, a continuous state of active preparedness will be the policy of the surviving Great Powers and those aspiring to that status.

17. There is nothing inevitable about modern war. It is not a cataclysmic phenomenon of nature. It is purely and wholly man-made. Glorifiers of the ennobling consequences of military ardor are seldom those who have gone through the battle where lives are snuffed out by unseen mechanical forces against which the most exalted courage cannot prevail. Modern war is the result of definite conditions produced by the clash of social forces in a social continuum of relative historical validity. Modify the basis of the social structure, and its component parts—the state organization, the economy and its ideological superstructure—must undergo a parallel transformation. Many of these changes induced by the acts of men are already proceeding apace, though mostly behind their backs and often contrary to their desires. Man himself is a decisive factor in the making of history. His active conscious will, combined with adequate material and spiritual resources, can reconstitute nations and remake the world. Let him but be sure of the road and certain as to methods, and the goal of a higher social order with a nobler civilization for all mankind is well within the reach of living generations. To illumine however feebly the path, to indicate in a measure some of the means to be employed, is the goal of this work.

B. Post-War Boom, Crisis and Unemployment

THE RIGHT TO WORK IS THE RIGHT TO LIVE

Reconversion of American industry to a peace-time basis even while guns were still firing and the victory, though in sight was yet to be won, was the absorbing problem of literally hundreds of privately-financed groups of experts, and of over a hundred different unco-ordinated Federal government bureaus. People still believed that maybe someone, somehow, would hit upon the lucky combination, and solve their economic problems with some cleverly-devised master plan. In domestic problems, as in international relations, they had to resort to faith and hope for the solution of their difficulties, in the absence of an intelligent public opinion based upon the knowledge of definite social laws applying to the all-important problem of making a living.

America's remarkable productive record during the war was an impressive demonstration of the fact that capitalism had long ago reached the limit of its creative powers. The obvious destruction of wealth which its wars entail are known to all. What is not so evident is the fact that great potential productive powers of society are left untapped during so-called normal peace times, to the detriment of vast numbers of individuals and to the general loss of society. The inherent laws of capitalist economy must limit production to what is profitable, and only secondarily to what is useful. The satisfaction of human wants is incidental to its processes. The labor of millions of potential workers is left unused, while profitable employment is impossible because the solvent market for the products of industry is limited by the effective purchasing power.

This vicious cycle is the unsolved and insoluble problem of capitalist economy, and all the skulduggery of all the experts in the world will avail them nothing as long as their schemes are confined within the orbit of capitalist economics. No scientific observer of the contemporary scene expects them to do otherwise because of the limitations to creative planning imposed by the present social organization and the prevailing ideologies of the overwhelming masses of our people. By the same token, the scientific observer must record why the schemes of statesmen and improvisations of industrialists must fail to solve the grave domestic problems of the post-war period.

First, as to production itself. During 1933, the worst year of the Great Depression, the total national income in new values was $40,000,000,000. In 1944, at the peak of the war effort, the creation of distributable income reached the stupendous figure of $146,000,000,000. In 1939, at the apogee of capitalism in its progressive phase, the comparable figure was $83,000,000,000. After making all allowances for the depressed dollar values of 1933 and the inflated prices of 1944, the latter year indicated a productive power of about double proportions for the same civilian population. According to the Associated Press in a dispatch from Washington the United States farm income for 1943 was estimated at $19,000,000,000 compared with $4,743,000,000 in 1932.

All this enormous physical increase in output of farm, factory and mine was achieved despite the fact that over eleven million men were in the armed services, and two million others were employed in the gigantic Federal machine created to co-ordinate the activities on the war and home fronts. For industry directly, despite the gigantic new output, the net increase in employment was estimated to be only 7,600,000 from 1937 to 1944.[33] This apparent miracle of production was the result of such prosaic policies as working longer straight time, bonuses for overtime, speed-up, technological improvements, with removal of restrictions on output by both labor and capital.

The New York Regional Plan Association offered interesting data on the human mechanics of production, and indirectly a biting indictment of the capitalist system's inability to provide employment for those seeking to exercise their individual initiative in obtaining the right to work. At the time of its survey [34] there were 1,860,000 persons engaged in manufacturing in the New York City and adjacent area. Of this number only 700,000 were engaged in war industry, while 1,160,000 were employed in the manufacture of civilian goods. This represented a decrease of only 200,000 from the pre-war level in peace goods production. But the region had also sent 1,000,000 men to the armed services, and 75,000 more were provided for Federal civilian employment.

Altogether there was a total draft of 1,775,000 imposed by the war upon the manpower of the region. Where did they come from? Here comes the sardonic confession of capitalist incompetency. There is the bland admission that 860,000 were obtained from the regular local unemployed labor force which industry could not absorb in normal occupations; 300,000 were women, older men and boys not hitherto employed; 200,000 were withdrawn from civilian goods manufacture, and 415,000 from the service occupations, construction activities, utilities and retail trades. This illuminating report closed on the hopeless note that after the war there will be 5,600,000 persons "for whom jobs must be provided if the metropolitan region is to achieve the goal of reasonably full employment." A good many New Yorkers who migrated elsewhere for war work would return home for re-absorption in civilian activities.

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[33] Baruch Report—N. Y. Times Feb. 19, 1944.

[34] N. Y. Times Mar. 20, 1944.

PROPOSALS FOR RE-CONVERSION OF AMERICA'S INDUSTRIAL PLANT

This problem is national in scope. It will have to be settled on a national scale. When Senator Kilgore offered a plan of direct national assumption of responsibility for easing the path for post-war adjustment, Senator George countered with a proposal for leaving the problem to the States, which would receive Federal assistance in relation to their contribution. Arrayed in support of the liberal Kilgore Plan were labor and progressive elements; for the George Plan, all the reactionary groups of the country. The Kilgore Plan offered mustering out pay to service men, severance pay and travel allowances for war-workers, with unemployment pay according to a schedule of war-time earning, from $12 to $35 per week up to two years if conditions warranted. The Kilgore proposals were overwhelmingly defeated.

But all this was merely ameliorative, and so recognized by every group. The real problem was how to employ at an American standard of living all those able and willing to work, and who have come to recognize that among all the high-sounding Freedoms, the right to work is equivalent with the right to live—to live humanly on a scale of independence, and not merely to subsist as an animal on a dole. The stay-in strike of 8,000 workers in the Brewster airplane plant when the Navy discontinued its order for a particular type of plane [35] served notice on both the government and the country that this time labor would not submit to the order to starve without putting up a struggle for life, for a life worth while.

Willkie's proposals for the reconversion of industry bear the earmarks of the platitudinous politicians who are legion in places of authority.[36] They are, he claims, strictly realistic in nature. Industry, labor and capital must co-operate. Public works should be carefully timed and prudently conceived. Risk capital must be encouraged for new investment and new ventures. Effective methods must be devised for controlling and counter-acting the tendency toward monopoly and monopolistic prices. "Our genius for production will go a long way toward solving the problems of a demobilization economy." By the time Willkie would have translated his "realistic" proposals, or even one of them into concrete form, we would well be on the way to another depression of Hooveresque proportions.

Governor Dewey met the reconversion problem in a similarly forthright manner. A beautifully printed pamphlet in several colors and with diagrams for morons to understand was sent throughout the State of New York. On the cover was a picture of a handsome returned veteran with many medals, holding an opened newspaper before him and obviously scanning the help wanted columns, under the caption "A man can't live on glory." What a noble, patriotic sentiment! So what? So won't you please give this deserving American a job? . . . And don't forget to do it through our State Division of Commerce, so we'll get the credit for it.

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[35] N. Y. Times May 30, 1944.

[36] N. Y. Times article June 15, 1944.

Among the more able men in public life whose dynamic energies, unaccountably, were never utilized by the Federal Administration during the war is Robert Moses, Commissioner of Parks in New York City, and planner of a vast program of public improvements, well-conceived and efficiently carried out during the depression. He expressed the belief that 2,600,000 persons in New York State alone would be dislocated at the end of the war, including those released from the armed forces and from war industries.[37] He urged a 3-year program of public works at a cost of $15,000,000,000. Large as that sum reads, how puny it is in the face of the 1944 defense production alone, which amounted to $50,000,000,000! [38]

Every post-war plan offered so far falls into three categories. These are first, to relieve immediate distress and provide a minimum for existence on a subsistence level until somehow—such are the uses of faith in adversity—matters will adjust themselves and all will be well again in God's good time. Second, the resort to public works, offered by so-called liberals and reactionaries alike, not because the public needs those works for themselves, apparently, but to pump-prime the economy back to prosperity. Third, there are the alleged realistic plans of giving private capital more encouragement by reducing taxes on corporate incomes so as to stimulate accumulation and investment; by balancing the budget; and by curbing labor so as to bring it "in line" with the facts of the day. Dressed in modern style, it is the old scheme of reducing wages, so as to reduce costs of production to sell cheaper to a mass market without the means to purchase. All this is presented by Elisha M. Friedman, a consulting economist, under the euphemistic title of "flexible costs," for after all, "a dole means a wage-cut of 70 per or more!" [39]

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[37] N. Y. Times July 29, 1944.

[38] Baruch Plan—In N. Y. Times Feb. 19, 1944.

[39] Recommendations published in N. Y. Times June 25, 1944.

DRUMMING UP INTERNATIONAL TRADE

Another phase of the same problem to keep going our industrial plant on a high level of productivity is that which turns to the international market for the disposal of surplus goods. Here again we meet with insuperable obstacles for the interchange of commodities on the basis of the capitalist mode of production. Unless the element of charity enters, the inter-change of goods must be balanced ultimately in direct trade, or in a three-cornered settlement through bills of exchange; and finally by cash, which we may conveniently advance to them.

Now the real difficulty arises. What goods can America import without deranging its own economy? Of course, if the United States is willing to accept the role of a rentier country, with a large class of coupon-clippers living on income from foreign investments or its equivalent in imports, the matter is much simplified; or so it appears. But that way lies the road to degeneration. England played that role, and allowed her industrial plant to stagnate, with large masses of her population to subsist as servants of the rich, or as wards of the state on the dole. The United States is not yet ready to rest on its laurels; and furthermore, the answer does not depend entirely on its own choice. The inexorable law of modern society is: Industrialize, Modernize, or Succumb.

Winthrop W. Aldrich, head of the Chase National Bank, the largest commercial banking institution in the world, headed a group of fifty-four prominent American business men who organized as the Committee on International Economic Policy.[40] Their declared purpose was a simultaneous and general readjustment of all trade barriers to prevent post-war emergence of any destructive economic warfare. It is startling to read their earnest plea that international trade must be kept open to meet the "basic human needs of consumers the world over." One must be reminded that these are the same hard-headed business men, in the main, who dominated our economy since the First World War, and in whose calculations the "spread" between the bond they received from foreign debtors and the actual sums they loaned meant infinitely more than all the human wants of their myriad fellow-men in this essentially poverty-stricken world.

The American Foreign Policy Association laid down the fundamental theoretical propositions[41] of those who would repeat, because they have nothing else to offer, the economic and diplomatic blunders of which they were equally guilty during the twenty year lull between world wars. In summary, these are the proposals: The United States, they contend, will be fostering its own welfare by restoring and expanding a multilateral system of trade and finance. This is to be effected by (1) more extensive foreign markets; (2) increased import of foreign goods; (3) trade-restricting policies must be eschewed; (4) world-wide prosperity is a bulwark of peace; and finally (5) "the maintenance of a multilateral system will be determined by the willingness and ability of the United States to provide the rest of the world with a large and steady supply of dollars."

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[40] N. Y. Times July 5, 1944.

[41] N. Y. Times Aug. 14, 1944.

Let us consider these proposals as stated. No one can possibly object to the extension of foreign markets. A great deal depends upon the nature of the trade. There is a natural interchange of products, for example, between Brazil and the United States in coffee for our manufactures; there cannot possibly be that normal flow of commerce between Argentina and the United States, because both are great beef and wheat-producing countries. Furthermore, attempts to get around reciprocal trade pacts at the behest of our cattle-men by stigmatizing Argentina beef as tainted by the foot-and-mouth disease must and did arouse diplomatic difficulties which plague us to this day.

But it is a far different matter when the abstract generalization of increased imports of foreign goods is particularized. Shall it be manufactures of the same type as produced here, but cheaper to import because of the difference in national standards of living? We have been through this phase of the discussion again and again. It is impressive to note how little the theoretical position of these "multilateral traders" has advanced over the debate of Alexander Hamilton's time, and how impregnable is the stand of those who support the protective tariff system in a virile capitalist economy.

It is so easy for the Foreign Policy Association experts to repeat the phrase that trade-restricting policies must be eschewed. The words are meaningless in themselves. It is doubtful whether all the artificial restrictions written into law by tariff manipulators affect more than five percent of our imports. The real issue is the fundamental one of free trade versus a protective tariff, and on that issue the free traders would not have a leg to stand on in a national economy conducted on capitalist principles. All the vague Adam Smith theories for the world division of labor applied only at the time when England aspired to be, and for almost a century was, the work-shop of the world, with the world to exploit. That day has long since passed, though not in the thinking of our schoolmen.

Point 4 as to world-wide prosperity being a bulwark of world peace does not merit the characterization even of a pious wish. If anything, it is a pious fraud. The factor of predominant concern in the thinking of the leaders of contemporary industrial life is their own well-being, and not that of the world's teeming millions. To them the natives of the Malay Peninsula, of Sumatra and Java are just so many human appanages for the extraction of surplus value in crude rubber and tin and the other products from the bounty of nature. Where were they in the years gone by when these peoples were inhumanly exploited and compelled to subsist on levels just above starvation? But why go so far afield to test their reactions toward the welfare of their fellow-men?

Apropos this very point of crude rubber imports, it can be stated now with absolute certainty that a United States fully alive to the realities of the dangers now happily past, and justly concerned about the dangers of the future, will never again find itself dependent upon the rubber of East Asia. Whether the domestic synthetic rubber plants are operated by the government or by private industry, one thing is sure; a protective tariff wall will be erected around this essential product for the maintenance of our security and the convenience of our people. Vast piles of crude may be imported, stored and used up in accordance with pre-arranged plan. It may be that further technological improvements in synthetic processing may relieve us from dependence upon the spontaneous product of nature. But of one thing we may be assured: the least important factor in our calculations will be the prosperity of the native producers in East Asia. If the cutting off of their great "natural" market in the United States results in economic crisis for them, that will be regretted, but the welfare of the country and the prosperity of the American people must and will come first in our calculations.

UNCLE SAM AS THE WORLD'S PROVIDER

Now we come to the crux of the entire argument, the one that really engrossed the Chase National Bank's head, the one toward which all the preceding were just so much camouflage, so much humanitarian window-dressing; the argument in which the United States is to provide the rest of the world with a large and steady stream of dollars with which to buy American goods. In this final proposal all pretense to sound, normal business policy is discarded. We are to produce the goods; then we are to lend our customers the money with which to buy the goods; and if they run short, or cannot repay the loans already advanced, then more loans are to be extended and more goods shipped.

One is at a loss for words to characterize their consummate effrontery. If a similar proposal were made to finance domestic purchasers, there can be no doubt that the market for durable goods would be enormously extended to produce the consumer goods for an illimitable home market. Aldrich and his associates would be the loudest in protest against this tremendous extension of consumer purchase power with funds from the dole. Ridiculous as the suggestion is, at least American dollars would be spent to make other Americans happy—perhaps.

Wherein does this policy of shovelling out dollars in a continuous stream to foreign buyers of our goods differ from the domestic dole? Oh, yes, it's all to be perfectly legal in the form of a loan, with rate of interest stated and due date set—subject to inevitable extension and ultimate cancellation. Have we not had enough of this folly during the years preceding the Great Crisis of 1929? Did we not pour out loans abroad, the overwhelming majority of which were soon in default? Did we not help finance the very nations which later competed against us in the world markets? Did we not help build up the industrial plants of the powers which later went to war against us? Can the projectors of these proposals give us one sound reason to justify the expectation that, the social structure being the same, similar results will not flow from similar causes?

In the few instances where re-payments will be offered, what shall be their form? Have we so soon forgotten Germany's virtuous plea to the world that she was debarred from paying reparations because she could not sell her goods with which to obtain foreign exchange? Have we forgotten the campaign for reparation reductions unless Germany was permitted to become the workshop of the world—and incidentally its armorer—and so achieve the world hegemony through Versailles which she could not win on the battle-fields of France?

Have we forgotten the propaganda for tariff reductions carried on by the organs of finance capital so that our markets would be opened to foreign debtors who would meet their payments by unloading goods in our ports at the same time when American producers of similar goods were closing down, and their workmen tramping the streets in the vain search for work?

Have we forgotten the Uncle Shylock caricature which was literally blazoned in every heart abroad, even among those who owed their survival to the largess of the great American heart? Which nation has been so generous with the distribution of its wealth among the sick and the hungry in every corner of the world? And what the return?

Why, even among many of our domestic nit-wit intelligentsia there was a hue and cry raised that our stock of monetary gold was too large for our own good, and should be forthwith distributed among the nations of the world. The stock argument of these consummate ignoramuses in the theory of money was to point to the patent absurdity of men all over the world digging holes in the ground to bring gold to the surface, only to transport the metal to Fort Knox where other men dug a deep hole to bury it in. Many of the intellectuals in the Foreign Policy Association of that day were most active in advocating the re-distribution of the metal as the cure-all for our domestic troubles, and for the world's ills, too.

International trade on the basis advocated by Aldrich and his supporters is the international squandering of American resources that will keep impoverished the recipients of our folly, and end in the bankruptcy of this nation.

C. Government and the General Welfare

HISTORIC UNITY BETWEEN GOVERNMENT AND PEOPLE

While the American people stand thus uncertain at the cross-roads of history, not knowing where to advance, conscious that improvisations cannot last, yet unwilling to cut clear from accustomed moorings, they are sure of only one thing—there will be no return to the days before 1933.

Myriads employ the catch-phrases of democracy without understanding its content, nor knowing the course of its development on American soil. But they see it as a fact; a fact of ever-growing significance in the every day life of the average man and woman. Government for us has always been a co-operative enterprise. As our social vision widened, more and more people came to participate in its affairs. Now that economic problems have passed beyond the scope of individual solution we turn instinctively to the organ of the common entity.

Coiners of catch-phrases like to depict the United States as a nation of confirmed rugged individualists who desired nothing so much from the government as to be let alone in the selfish pursuit of their private interests. Actually every step in the evolution of the nation from a gangling strip of settlements along the Atlantic coast and rivers emptying into it, to the conquest of the wilderness, the extension of the national domains to the Pacific and the internal development of its resources, has proceeded with the active help of the people's government.

Democracy itself was not the gift of the gods all at once, but was of slow, gradual evolution with occasional retardations and spurts forward. Throughout, the government contributed toward the general welfare by such affirmative acts as facilitating the acquisition of land in private hands and its settlement by extending liberal terms of payment. It has built, or provided the money in whole or in part, for the private construction of roads, highways, canals and railroads. Again the government gave thoughtful concern to the stimulation of domestic manufactures by enacting the necessary protective legislation, by the establishment of banking and commercial facilities, and by fostering domestic and foreign trade.

The United States does not possess an hereditary upper class whom it must propitiate. Its great leaders of wealth are generally those who came up from the ranks, and were proud of it. The second and third generations of the wealthy class play little or no active role in the nation's affairs. This they leave to their lawyers, their bankers and their professional apologists who may, or may not boast of their humble origin, in a manner of speaking. The American people have made their rulers and their traditions as they have gone along. But one of them is the common possession of every age—that this is a government of, by and for the people. The government and the people have now become politically indistinguishable and socially indissoluble. The American people have never hesitated to look to government for assistance, as they have never failed to rally to its support.

HISTORICAL BASIS OF AMERICAN DEMOCRACY

American history points around the American Revolution. All that long period of over a hundred and fifty years of colonial development led to that climactic episode. The one hundred and fifty years that have transpired since the inauguration of the Federal Republic have afforded an unequalled opportunity for the fuller unfoldment of the social forces released by the American Revolution. That is the basis of our Theory of the Continuing American Revolution.

It is no mere accident that the science of history is made possible largely by the study of the American scene. Marx who came closest toward establishing history as a science failed in his appreciation of the role of the democratic state in Modern Capitalism and therefore fell short of his objective just as it was within reach. American democracy was yet in its developmental stages, and Marx's knowledge of American institutions and American character did not go beyond the Dickens characterization and that of other European commentators of his time.

American democracy is not a mere phrase but a living reality. At times its development was imperceptible, at other times it leaped ahead with tremendous strides until today the American people, as in no other country in the world, are the real masters of their destiny.

The English masses possess the same formal political power, but they are psychologically unprepared to use it. It would require the shock of some great national misfortune or the equivalent of another social revolution to establish the republic which was within the grasp of the Puritans three hundred years ago, and of which H. G. Wells today is a most resolute and consistent supporter.[42]

Our democracy is not the result of a fortuitous concatenation of unrelated events. Neither is it the product of superior American intelligence, nor due solely to the favorable external conditions of existence.

In the detailed analysis of the colonial policies of Spain, France and England, we showed exactly why it was that the Spanish system flourished only where peonage could be established; that the French system stultified itself by attempting to re-create in New France the very feudalism which was already rotting the heart of Old France; that the English system was based upon the mercantile principles by which Britain grew to world greatness, while its American colonies flourished at first under this reciprocal economy. We saw further that this economy developed through its internal laws of motion an ultimate clash of interests between American producers and merchants, and those of the mother country.

Paralleling this and nurtured by it, was the growing spirit of self-sufficiency. The long struggle for world power between England and France called for the active participation of the American colonies in four of these imperial wars, fought in part on North American soil. It is not contended that the American colonial phase of these struggles was solely for the benefit of the mother country; but it was established that one of their direct consequences was to engender here the spirit of self-reliance, a consciousness of their growing power and the fostering of the spirit of independence by the easing of political and economic restraints to the fuller development of the American spirit.

Thus came about their resistance to overseas domination; then the Declaration of Independence, the long-sustained and bitterly contested revolutionary struggle, and after a period of incubation in the form of a Confederation, the final establishment of the Federal Government for the United States of America.

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[42] Article in New York Times Sept. 8, 1940; Outline of History, p. 793.

The successful outcome of this struggle was not pre-ordained. Victory was achieved both by conscious planning and through the operation of factors peculiar both to British and American institutions. Such a struggle at that particular juncture of affairs in the Western Hemisphere was possible only in the English colonies comprised within the original states of the Atlantic seaboard and adjacent territory.

Despite the determined and heroic efforts made by the Americans to induce Canada to join in the struggle for independence, they failed due to the divergent political, ideological and economic institutions in the respective colonial territories. This does not mean that the American Revolution happened exactly as planned. So-called accidents, in the sense that some events were unforeseeable, played their role then, as now. But the seed of liberty had to be nurtured on fertile soil if its potentialities were to be realized.

The British plantations in the West Indies with their tremendous disproportion of slave-holders and slaves did not join in the revolt. The slave-owning Southern planters did. The difference can be readily explained in view of the composition of the population, and of the spirit of political self-reliance which had been engendered almost from the inception of Virginia, and had become ingrained in the psychology of the generations of white men who followed the original settlers.

EVOLUTION OF GOVERNMENT BY, FOR AND OF THE PEOPLE

It can be stated that the greatest single event in the history of mankind since Magna Charta was the signing of the Declaration of Independence. We sometimes compare that formally with the great English Revolution of 1688 and the French Revolution of 1789, but in no country except the United States has "We, the People," played such a tremendous role in the unfolding of the social drama.

Our own Americans do not appreciate its full significance. Nowhere in the world except in the United States did there exist the combination of essential elements necessary for the development of a genuine democracy—a virile people, a virgin land practically free for the taking, with enormous natural wealth to supply in abundance the needs of a progressive race. Here the soddening influence of class tradition, where it did take hold, enfeebled as it approached the vastness of the frontier, until it dissipated itself in the self-reliant husbandman tilling his own soil and selecting his own kind to administer his government. In time the East shed its class ideologies, and now the South is being infected with the democratic virus.

In full view of the status of contemporary Western civilization in its most highly developed form, there was no place on earth where government and people were more nearly synonymous. Selfish interests abused the powers of government, but no ruling class, aristocratic or capitalistic, functioned as *the* government. Therefore government by condescension, which is the essence of paternalism, was totally foreign to the American scene. That which the European peoples received from their rulers as a favored privilege was demanded, obtained and exercised by the American people as a right.

With the Civil War there opened another progressive period in American history, the Period of Industrialization. The war itself was a powerful contributing factor in this evolution, but on the whole it was but a phase of the Western civilization to which we were inextricably bound. If civil wars were in themselves an essential element of progress, then Latin America ought to be the most progressive area on earth. The general spread of education, the love of free institutions, the presence of those necessary intellectual and moral ingredients that enter into the formation of a suitable national character, combined with unrivalled natural resources, all co-operated toward the moulding of our history for the next seventy years along the lines of an intensive capitalist economy. During this period the American nation evolved from a predominantly agricultural status to a predominantly industrial economy.

With this the center of political gravity shifted from the Mid-West to the East. It is true that candidates for President were still selected with an eye to geography, but the active program of government was to foster, protect and expand our thriving industrialism. It is the sheerest apologetics to picture those captains of industry who came forth to dominate the scene during the first forty years of this period as rugged individualists who wanted nothing more than to be let alone by government.

Every page of that history belies the assertion. By every device human ingenuity could invent the government was played upon and preyed upon for the service of special interests, and often against the popular welfare. At no time in our history was exploitation of the national resources for private profit more sordid, the public morale more degenerate, the vilest forms of graft and corruption more rife.

No one was spared from the general contamination—from the occupant of the sacred palladium in the national capital, to the local politician with headquarters in some back-room of a low saloon in the local bailiwick of a city ward.

But that is the ungracious side of the picture. Muck-rakers wallow in it by congenital preference. The scientific historian appraises this phenomena from the peculiar standpoint of his craft, to which nothing is inherently vile nor inherently good, but all are simply human. It is not because he is indifferent to the national welfare, but because he has developed the faculty of viewing history in the ensemble. Corruption and selfishness was only one side of the medallion representing this period.

On the other side we view the immense reaches of the United States. We view its farms, factories, mines, railroads, and the bustling centers of industry and commerce. Then we compare the America of today with the America of a hundred years ago, and we see that the result is good by any basis of computation. We recognize that at no time in history in any nation of the earth was so much accomplished in so short a time, if only from the standpoint of sheer physical achievement.

Nor do we overlook the intellectual, the moral and the spiritual aspects of our civilization. Nowhere at any time were so many people, proportionately, enjoying so many of the physical necessities and comforts of civilized living, nor the opportunities for cultural advancement so widespread.

Exploitation, corruption, war, crises, unnecessary want in the midst of abundance, all this we had, and endured. But also there was the abundant, imperishable gift of technology by capitalism to mankind. It is absurd to debate whether any other system of social organization could have evolved the same method of production; the fact is that no other social system did. The Soviet Union gladly adopted modern technology for its own uses, while semi-feudal Japan embraced it as the only way, first of preserving its national existence, and later for its imperialistic adventures, impelled to that course by the very operations of that capitalist economy to which it owed its independence.

That the American people paid a heavy price for their progress in much suffering the slums of our cities, the very number and variety of the institutions devoted to organized philanthropy are a grim and melancholy reminder.

The process of industrial concentration in basic industry first submitted to economic torture the small producer, then snuffed him out of existence. During the last thirty years of this period the process of centralization brought to the fore the great princes of finance capital to whose chariot were now tied the still puissant captains of industry. The vast farming population was now caught up in the processes of capitalist economy, but merely as producers who were exploited at every turn by the manufacturers of their equipment, the money lender who financed them, the railroad that moved their crop, the commission merchant, and the retail dealer who mulcted them of what little they had left. It is a significant commentary upon our civilization, upon our press, our teachers and institutions of learning, that at the very time during the hectic 1920's when the propaganda of universal prosperity was abroad the land, thirty million of our farming population were already experiencing the effects of economic stagnation and social regression, all unknown to the rest of their fellow-Americans.

PLACE OF THE NEW DEAL IN OUR HISTORY

With the great crisis of 1929 came the end of the phase of industrialization as it waxed under private auspices. It marked also the close of a period in our history.

During the remainder of the Hoover Administration the nation remained baffled, uncertain and afraid. The shadows of the depression deepened until the people were startled out of their numb submission by the crackling thunder of the bank collapse at the very eve of Roosevelt's inauguration. Something affirmative had to be done. No one knew exactly what, as it later turned out, but the country was ready to embrace any scheme that held out some hope, instead of this dangerous lethargy to which it had been condemned in hopeless, helpless drifting for three and a half years waiting for something to turn up.

An amorphous New Deal was given shape in the fantastic N.R.A. plan, and in the somewhat less irrational procedure of the A.A.A.—on the basis of capitalist economy—but yet socially sardonic theory of destroying wealth in order to make the poor wealthier.

After seven years of muddling the country was essentially no further advanced than when the New Deal began. That was not the fault of the Roosevelt Administration. On the contrary, it will be remembered in our history as among the most socially-enlightened and most humane. Roosevelt stands today as a sturdy and uncompromising bulwark against reaction, against the return to the economic practices and the indifference of the past or rather the unwillingness for affirmative action characteristic of government before his advent to power.

To speak of 1933 is not just a few years ago as mortal time is reckoned. It is the dividing line between two periods in American history, and at the threshold of a new Era in Civilization. Future generations of Americans will look back to that year just as we do to the meeting of the Second Continental Congress. They will recognize in the tremendous resolve taken by the United States Congress in 1933 that no one shall go hungry—that the unemployed must be given work, that the farmer is entitled to a fair return, and that the entire economic and social order will be reconstructed, if necessary, in order that the government may continue to function to promote the general welfare and secure the blessings of liberty to ourselves and our posterity—as the beginning of a new social freedom.

Our conception of the duties and responsibilities of government have been deepened. As long as the people are ready and willing to work for their bread there will never apply to them the stigma of parasitism. The contemptible apologist who compares the American citizen on relief to the citizens of ancient Rome when they cried for bread and circuses knows neither the history of Rome nor that of his own country. The character of our people stands far above any need either for its exposition or defense.

FALLACY OF LAISSEZ-FAIRE IN MODERN GOVERNMENT

Upholders of the traditional capitalist system as it flowered in the past cast longing eyes to the days as they were before 1929. They would fain return to them, but they know not how. They have no program because no consistent program can be presented. All they can do is to call for the removal of what they term government restrictions on business. It is an ear-filling phrase, and looks learned on the printed page. But what laws shall be repealed? What will be the effects of such repeal? In what way would that help restore business?

One need not be a Doctor of Philosophy in the social sciences to know that essentially the economic machine is still in private hands, that one is still free to produce when there is a profit to be made, and that government will go far out of its way to help the legitimate producer. But government stops right there. It will no longer permit the free and easy practices which brought this country to ruin and desolation in 1933. It will no longer permit the ruthless exploitation of labor, the mulcting of the private investor, the defrauding of the consumer. If private industry cannot prosper unless these reasonable restraints are removed, such private enterprise does not deserve to survive.

The average man, perhaps, cannot express himself thus plainly, but he senses what it is all about. "Unless America," writes Buell, "succeeds in restoring private activity to a greater extent, it is probable that it will follow a world-wide trend to embark upon State capitalism."[43] This is a bugaboo to frighten children with. As long as the American people retain democratic control of their government, they will not be easily scared away by the cry of dictatorship.

They are determined not to surrender control of their government to the uncontrolled dictatorship of monopoly and finance capital. Big Business had its day and they witnessed the full amplitude of its consequences. There will be no more political blank checks written at the polls. As long as those polls are open, and the balloting is substantially untrammelled, and there continues a government of men under a supreme law, there need not be legitimate fears for our democracy.

Regimentation is among the catch-words most often hurled against those who approach the problems of modern industrial society from a pro-social point of view. There exists a fundamental and far-reaching distinction between regimentation and co-operation. If by regimentation is meant that the individual in modern society must to a large extent regulate his social life by the complicated mechanism of a system in which he functions, then this is one of the concessions he must make if he would enjoy the advantages of our civilization. No one prevents him from retiring to some secluded spot and living as close to nature as would content those atavistic impulses which few of us have succeeded entirely in extirpating from our nature.

The normal yearning for seclusion and solitude compel those admirable compromises which make life in civilization worthwhile for most of us. Such form of regimentation is inevitable whether under classic capitalism or any other form of socialized existence; the factory whistle will still blow, the clock hand will still move determinedly toward the predestined hour, and men and women in factory and office will regulate their lives for many hours a day according to the requirements of their tasks.

There is room in a democratic society for the most diverse form of labor. Petty industry can never, and should never be eliminated. The widest opportunity can be made to exist for creative effort now crushed out or canalized and stultified by the narrow requirements of capitalist economy.

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[43] Isolated America—Buell (1940), p. 292.

The service occupations will prosper and expand under a rational form of social organization, while resort to them will no longer be the last haven of those who cannot make a place for themselves in work for which they possess genuine aptitudes. Agriculture, the living close to nature or in by-paths away from the common stream, will always beckon other millions who would work out their life's destiny in fashions of their own making, with an irreducible minimum of social obligation to the social welfare. A pro-social economy can be made the avenue for the widest approach to democratic cooperation, and altogether consonant with the greatest freedom for the individual spirit.

THE NEW DIGNITY OF CREATIVE LABOR

Society is beginning to look upon creative labor not as a punishment from which one should escape by every device known to the ingenuity of man, but as an inestimable blessing which every normal human being should gladly embrace. The conditions of labor should be humanized, but above all its purpose should be glorified as enabling us to open up the illimitable possibilities of human consciousness through creative leisure. In the eyes of history modern capitalism stands condemned on this essential count.

No one who has read the preceding pages can charge us with minimizing the positive achievements of capitalist economy. It has laid the material foundations for our civilization, but it has been unable to realize the spiritual possibilities of the leisure it has created. It cannot do so by the nature of its own materialistic laws which are the mainspring of its operation. The past thirty years of its history in the nations where capitalism attained its highest development proves the inherent limitations of this social system.

Let us glance out upon that world and we see the overwhelming mass of mankind in a state of grinding poverty both within their national boundaries and even more pitifully so in the regions of their imperialistic exploitation. Wars, preparations for war, profiteering, money-grubbing, boom times, miserable orgies of the animal indulgences, ignorance, filth beneath the tinsel; the crises, the abject terror, the remorse, and then the blind urgings to start the old whirligig going again.

We who remember the level of social life during the 1920's in its material and intellectual aspects, we who know that to have been the highest possible within the potentialities of classical capitalism, are justified in pronouncing the doom of history upon an economic system that has already experienced its zenith and is now festering in the consequences of its degeneration. Capitalism strives for a comeback, spurred on by its supporters not only by inherent necessity but also by a weird emotional combination in which sincere repentance is bound up with intellectualized greed. Humanity is forgiving by nature, and still debates the advisability of returning to the old moorings. But there is no turning back the clock of history.

PUBLIC POLICY TOWARD INDUSTRY ENDOWED WITH A PUBLIC INTEREST

Government concern with business is not new for America. But we are here faced with the problem of government regulation of private industry endowed with a public interest on a scope never contemplated by the common law of the Middle Ages, nor in the application of this principle to problems of modern life in American constitutional practice as it developed after the Civil War. But most people feel re-assured when they are told that a current program is simply the application of a traditional policy.

So did Roosevelt justify the acquisition of naval and air bases in the Atlantic possessions of Great Britain by comparing that with the Louisiana Purchase. For many the analogy settled everything, while historical scientists would be hard put to discover any but the remotest relation between these two events. So does McDiarmid[44] go into the long history of government involvement in private business to show that the current program is far from being a startling departure. If anything, it is hallowed by the most respectable of precedents.

Thus the United States was the majority owner in the Bank of North America in 1782, and held a twenty per cent interest in the First and Second United States Banks. The government invested in the privately-owned Panama Railroad, and later bought out the minority interests. In the First World War the Federal Emergency Fleet Corporation was established with a tidy sum of three billion dollars to spend. Thus by a parity of reasoning, it is contended, no valid objection could be raised to the New Deal program of pouring government funds into public and private industrial enterprises.

This parity, of course, exists only for the scholastic mind. There is a heaven-wide difference between the historical and social conditions which dictated the program described by those illustrations, and those of contemporary life. The financial policies of a new re-

[44] Government Corporations and Federal Funds—McDiarmid (1938), pp. 21, 75, 84.

public, the imperialistic policy of a powerful industrial nation, the defensive measures of a country preparing for or engaged in war, bear no relation whatever to a program dictated by the circumstances following out of the great economic crisis and social collapse during 1929-33. The defects of the analogy method in history pointed out in our first volume are here exemplified because it results in an intellectual smugness which defeats the purposes of scientific inquiry.

Hall [45] gives us an elaborate presentation of the relation between American government and business. At first, America started out with the idyllic system of Adam Smith with free competition, where each man engaged in the pursuit of his own interest was supposed to contribute most to the general welfare of society. To leave each man work out his competence, and stand or fall by the consequences of his own conduct was the very nadir of the individualist's philosophy. However certain abuses began to develop and government was obliged to step in and curb the rapacity of the few in order to protect the interests of the many. Thus government regulation of business was born. [46]

Besides the regulation of banking and commerce, and such affirmative acts as the protection afforded to the inventor by issuance of patents, there was found necessary the enactment of legislation designed to safeguard the paramount interest of the state in the public welfare. So Hall goes through the gamut of Federal and State intervention in the regulation and control of business in mining, stockyards, transportation, foods and drugs and thus on to more recent excursions in housing, rural electrification and numerous industrial and agricultural enterprises. But Hall's essential outlook is one of a mere extension of powers inherent in government, and asserted from time to time as the immediate exigencies required its intervention. It is conceded, however, that it would be advisable to add a new commerce clause to the Constitution expanding the powers of Congress to regulate business.

Government to-day stands ready to see that the unemployed shall not hunger, that his family will have a roof over its head, and that they shall keep decently clad. When industry is ready to resume normal peace-time operation government will be prepared to see that the conditions of labor will meet its minimum requirements, and that the rates of labor are arrived at by collective bargaining by representatives of the worker's choosing.

Beyond that, government also imposes taxes for various forms of social security, together with normal taxes and sur-taxes on corporate and individual incomes. Policies of government dictate freight rates, interstate commerce, foreign trade and tariff programs. From a hundred devious other ways government regulates and controls private industry in the public interest. In many cases it leaves to owners the mere evidences of title and claims to revenues from the enterprise.

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[45] Government and Business—Hall, p. 14.

[46] Ibid., p. 421.

Government more and more lays down the conditions of production. Private management engages in production. Government now possesses all the advantages of ownership, except one. That one is a vital exception. It goes to the essence of private property in industry. Government cannot compel the rate of production. That is the unreserved right of private capital, a privilege inherent in its paramount right to a reasonable profit. The day when government orders production to resume, profit or no profit, or guarantees profit with restrictions, that day the last vestige of substantive private control over productive capital has ceased. That would be a revolutionary change. American society is not prepared for it. Nor is it necessary for our economy that private control over industry be now terminated.

THE AMERICAN APPROACH FROM CASE TO CASE

Unfortunately the problems of society do not always present themselves with that clarity where only one rational choice is possible in the public interest. In real life mankind reacts instinctively to the overwhelming influence of heredity, of the reproduction of accustomed institutions in the way they have been known to work tolerably well over the centuries. Our own history proves that the American people will move from case to case with extreme caution until the facts of life itself will hasten this pragmatical procedure to a decisive change.

Such was the plodding progress of events to eventual political independence. Such was the course that led ultimately to the abolition of human slavery. And so the American people, determined to meet their problems resolutely and face consequences when there is no other choice will during the next twenty years move from case to case with inexorable perseverance until they will be the first to achieve social democracy among the great peoples of the world, under whatever name, but pursuing their established democratic methods to this inevitable result.

There is no claim advanced that this is the secret goal of our politics. The aggressive spirit of our people which leads them, when aroused, to meet and overcome difficulties is still the most decisive element of the national character. We have always been sticklers for tradition, but our ancestors have never lacked the ingenuity to establish precedents even while protesting that all was hallowed by custom and tradition.

Throughout our discussion of contemporary events we have had occasion to remark upon Roosevelt's unclearness concerning the ultimate goal, but his certainty as to immediate objectives. In that he typifies the American spirit. Our people entertain an instinctive dread of formulas, panaceas and perfection. They will meet problems as they find them—and they will conquer them.

In a thoughtful address President Roosevelt placed in juxtaposition what might be called the European Continental and the Anglo-Saxon-American approach to social problems. The former promises swift, revolutionary relief through seductive panaceas and enticing short-cuts. "Our advance has been accomplished with patience and deliberation. That, I think, is the democratic way; that is the road that leads to lasting results. Here in America we have kept our feet on the ground; our progress has been steady and sure and we have not been misled by illusory promises." [47] The President neglected to include the fact that the American people have progressed not only by keeping their feet on the ground, but also by using their heads, and by possessing the effective means for translating their thoughts into concrete programs when the hour of irrevocable decision was at hand.

The great masses of our people are determined to hold on to their social gains despite the seductive allurements of both the rugged individualist and the totalitarian philosophies of life.

OUR IDEOLOGICAL UNPREPAREDNESS FOR FAR-REACHING SOCIAL TRANSFORMATIONS

During the momentous years ahead, government will seek to give every encouragement to private capital in legitimate pursuits. But this will not be at the expense of the safeguards already created for the protection of labor, of the investor and of the consumer.

It may be urged that concern for private capital is rather left-handed. On the contrary, the nation has every possible motive for advancing this program. In the first place, the scientific historian must recognize that American society to-day is not prepared for any other system of economy. Direct government intervention in production will be undertaken only as a last resort because of the established inadequacies of private industry.

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[47] Address by President Roosevelt at convention of the International Teamsters Union, New York Times Sept. 12, 1940.

However enticing socialization may be in theory, no theory ever amounted to much unless it was in accord with the realities of life. It is the sheerest contradiction to say of a political program that it is sound in theory but impractical in operation. The one proposition destroys the other.

While the material conditions of production in the United States, as in no other country except England, have long allowed for the establishment of an enlightened, democratic, socialized economy, the spirit of the people has not been prepared for such a social system. To attempt the transformation of our social structure by trickery or force cannot but end in a national crisis far worse than all the evils we have heretofore endured. For this very cogent reason, therefore, it is to the interests of enlightened government to encourage private enterprise without surrendering government to private control.

It has been claimed that private capital cannot prosper under a New Deal regime. We have already analyzed the economic factors which compel capital by the very operation of its internal laws of motion to continue functioning even under adverse conditions. Among these factors are the separation between management and ownership, the need for meeting legal and contractual obligations to prevent greater loss, and the fact that the bigger the enterprise the better it is able to go along for a period of years without paying dividends. Modern production is geared to break even if operating at less than fifty per cent capacity, as is the case with the chemical, auto and steel industries. Definite economic forces compel production on the part of capitalist enterprise no matter how high taxes are boosted, so long as the return on capital approximates the average rate of interest.[48]

Meanwhile society is learning to cushion the effects of these economic dislocations. A broader pro-sociality is being developed among our population. The time is not far distant when the great thinker, the artist, the poet, the composer and the scientist in every field of constructive endeavor will receive the recognition hitherto reserved for the mere possessor of money bags. Among our youth there will be developed the ideology that to create for others is more important in life than amassing wealth for oneself.

What the American people need most is confidence in their collective ability to manage their affairs on the economic field with the same ability they have evolved in managing their affairs in the po-

[48] William J. Enright—Article in Business Section, N. Y. Times, Nov. 10, 1940.

litical field. In the latter sphere we have the inestimable advantage of long experience mellowed by custom and hallowed by tradition. Rugged individualism in business has created an economic despotism from whose baneful rule we have only begun to emerge during the past few years. Some day the American people will learn to overcome their fear of the wrath of the great captains of industry as did their fathers of the hereditary rulers of state. The potentates of Wall Street for all practical purposes have already been dethroned.

We as a people do not appreciate the extent of the victory we have already achieved when the Securities and Exchange Commission, the various Federal lending agencies and stricter regulation of banks were established. The people have wrested from private hands the control of our money system. If the necessity arose, the American people could with absolute confidence in the result proceed to set up a banking system of their own without troubling to nationalize the existing financial institutions.

Matters stand in a different relation when it comes to industry. Unlike banking, it is not the peculiar creature of the state, though corporations are brought into being for private uses through the agency of government. Captains of industry are still sacrosanct beings who beneficently give employment out of the goodness of their heart to hundreds of thousands of workers. Yet the entire General Motors Corporation, for example, could be transformed from a private to a national industry by merely changing a half dozen top men who manipulate its financial controls. In the next crisis when millions of men and women will stand unavailingly before the closed gates of factories, government will be in a position to weigh the relative advantages of continuing work relief and confining itself to an enlarged system of public works, or declaring that the operation of mines, factories, railroads and oil wells are essential to the public welfare and the national defense and take over the idle plants, while negotiating with their owners for the basis of a reasonable settlement.

The genius and the necromancy which formerly were associated with captains of industry have been deflated considerably since the last depression, and will have disappeared entirely in the economic derangements of the post-war period. Once the principle becomes firmly established that every man has a right to work at some productive labor under conditions which comport with human dignity in a democratic republic, then one of the most momentous revolutions in human history will have been achieved.

Mankind then will have negotiated an advance in progress which will rank with the Magna Charta, the Bill of Rights and the Declaration of Independence. For the American people *The Right to*

Work will be the economic counterpart in our time to the immortal declaration of our forefathers on their political rights in the eighteenth century.

D. The Next Step in Social Progress

NATIONALIZATION THE FINAL PHASE OF MODERN CAPITALISM

We are now living through one of those critical periods in the story of mankind which marks the transition from one era of Civilization into another. Since the beginning of the twentieth century deep-moving social forces have been gathering for the next great advance. To-day there can be no question that it will be an advance to a higher stage of human existence.

This step forward has been made certain by the imminent defeat of Germany in Europe and the certain destruction of Japanese power in the Pacific. There is no inevitability in progress. The records of history are strewn with wrecked civilizations that could not negotiate an advance, and were finally overwhelmed before the onslaught of nations far inferior to them in culture and in the organization of social existence. That danger for us is definitely past.

Civilization during the past seven thousand years has developed four main forms of social organization—the Asiatic Commune, Graeco-Roman, Feudalism and Modern Capitalism. We are now in the last phase of capitalist society which is characterized by the concentration and centralization of capital, and their concrete manifestation in imperialism, intermittent crisis and war.

This last phase we have called the Period of Nationalization. By this we mean that phase in the development of Modern Capitalism where the classical processes of its economy have come to the limit of their progressive development; that it is no longer able to meet the economic demands society is compelled to make upon it; that capital is uncertain as to its future and labor is uncertain as to its employment, and both are compelled to look to the state for assistance and material support; that the state must now act as an organ of society superior to any class within it, while the nature and measure of its cooperation is determined by the character of its existing institutions and the specific gravity of the class composition in society reacting on state policies.

The modern state does not have to take over industry. By the process of regulation, by taxation, by social legislation, by the control, no matter how devious, of the flow of capital and regularization of the rate of interest, by exercise of its inherent money power, it must affect the rate of profit and that today tends to draw more and more closely in big business to the rate of interest on government bonds.

When we look upon the world with the dispassionate, critical eye of scientific inquiry and probe beneath the protective verbiage adopted by the various ideologies, two important facts are disclosed; first, the break-down of classical capitalism in the face of the problems its economy has created; and second, the universal trend toward nationalization in the struggle of a virile people to survive.

Nationalization today is a process far different from what the political theorists conceived it to be a generation ago, and still entertained by many writers on that subject under the name of state capitalism or state socialism; they are indifferent as to the appellation, or use them interchangeably. In our discussion of the state we saw that it is the political unit of the social organization at a certain stage of its development. Its powers are employed in the interests of the particular class which occupies a dominant position within the social structure of the given society.

In modern capitalist society the state is not equipped for the general operation of industry for the benefit of a select class, or of the entire people. The term state capitalism is a sonorous phrase without real content.[49] It must be shown that the particular state under consideration is dominated completely by the capitalist class; that this class, operating through the state, owns the means of production, including the land; that its relation to workers and farmers is that of employer and the seller of labor-power; and that the annual usufruct is divided by the state among the ruling clåss in the form of their claims to rent, interest and profit of enterprise. No such state exists anywhere.

State socialism is another hybrid, meaningless phrase with no relation to reality. Here the situation would be exactly the reverse of state capitalism. In this case the workers and farmers dominate the state, possess collectively the means of production and the land, and employ the annual usufruct for the improvement of their productive plant and the betterment of their mode of living.

No such state exists to-day. The labor movement in Australia may control the government, but labor and the government are not synonymous. In the Soviet Union we have a government unquestionably devoted to the advancement of the workers and farmers, but by no stretch of the language can it be contended that the masses of the people are the masters of the state. We see there an enlightened

[49] As an example, see Isolated America—Buell (1940), pp. 209-11.

despotism devoted to the service of the common welfare. The history of the Russian people shows why they are ideologically unprepared to exercise full state control and assume the mastery of their destiny; an historical process which required hundreds of years of struggle, sacrifice, bloodshed and actual political practice to place in the hands of the English and the American people.

PRODUCTIVE CAPITAL A SOCIAL POWER IN PRIVATE HANDS

All vital industry, big industry, the type of industry which expresses the character of modern society, tends to operate more closely on the level of affording its owners a return which approaches the average rate of interest. This rate is not arbitrarily established by the Federal Government. In the open market United States securities are appraised by the general purchaser with the same keen appreciation of their merits as he is expected to apply to any other prime security. If he can obtain an advantage by investing in public utilities privately owned, or industrials, the purchaser is free to exercise his own judgment.

But the very operation of the financial market is the negation of private control within the sphere of private capital. Favorably situated corporations making a handsome profit on their actual investment will find that the market has already discounted their good fortune by raising the price of their securities; and the reverse follows in the event of earnings below the average.

In short, social capital today is undifferentiated capital, merely a claim to an average return, and its owner is indifferent as to whether his portfolio holds governmentals, public utilities, railroads or industrials, so long as they are of prime grade. He need know nothing about the practical operation of the enterprises in which he functions as a mere owner, although society looks up to him as one of superior talent.

Social capital is a social power, but now in private control. Under such control it is amenable to the will of its owner, be he an individual or a corporation. He will not set it in motion without reasonable prospect of a fair return. No one condemns him for that. The absence of such a return over a period will bring his productive capital to a standstill. His liquid capital will pile up in the banks. And that is exactly what happened after the Great Depression, until the World War solved the problem of putting excess social capital to work.

It is true that government policies exert a direct influence upon the state of our economy, the value of the circulation medium, the production and distribution of goods, and the division of the annual income through taxation and labor legislation. Even the best-intentioned government of sternly rugged individualists, as typified by the Hoover Administration, was compelled to intervene to save the social structure from complete collapse. The nature and extent of such intervention is not determined by the independent will of the particular government. Under the given conditions government must act, or be prepared for the consequences as expressed at the polls.

Nationalization, the subjection of private industry and agriculture to a larger national purpose through the intervention of government is now a world-wide phenomenon. But there can be, and there is, a tremendous difference in the form which nationalization assumes. It may be dictatorial, or it may be democratic. A great deal depends upon the human element as to what will be the shape of things to come. Of all the great World Powers the United States alone now stands forth as the nation possessing the suitable material resources combined with the ideological background to make the deliberate choice for democratic nationalization.

THE PEOPLE'S STATE CONFRONTS THE IMPERSONAL CORPORATION

Nationalization to-day is characterized not by government ownership and operation of industry as visualized by the thought of forty, twenty or even ten years ago. No nation, not even the United States is rich enough to buy up its major productive units. Yet no nation, not even the poorest is so lacking in resources that it cannot compel industry within its sovereign domain to operate with an eye to the service of its paramount policy.

In the modern large-scale corporation the impersonal political government confronts the impersonal legal entity whose dominating mission as far as its owners are concerned is to pay out dividends according to their claims. The stockholders of the United States Steel Corporation are not overly exercised whether their company produces under the present management—in whose selection, by the way, most of them have little to say—or for another management, or for a government management, so long as they are definitely assured of receiving their customary income. The great majority of them right now would vote to exchange their securities for United States bonds offering comparable dividends, or interest.

Formerly there was much heated debate as to the merits or the justice of compensation versus confiscation, or the advisability of levying a capital tax upon the holders of bloated or unearned wealth. To-day with the unexampled exercise of the taxing power and the tremendous development of government financing the question of how compensation is to be effected for private property taken for public use is academic. The owners of the two great rapid transit companies in New York City, for example, were happy to exchange their uncertain securities for City bonds at a substantially lower rate of interest when private operation proved unprofitable. Upon the consummation of that transaction there evaporated, miraculously, all the so-solid arguments concerning the evils of public operation of the transit system. Confiscation is against the American grain, nor is the social turmoil that is bound to follow such a step in the United States worth the losses it would entail.

There are many other valid, well-recognized methods for government to give with one hand, and take away the overbounding socially harmful surplussage with the other. But that now is a side issue. The really important one is that government to-day dominates the economic processes of production while the nominal ownership is in private hands. It will take a long time for the American people to appreciate the tremendous significance of what has occurred since 1929. The alert representatives of corporate wealth know what they are about when they clamor loudly for the return to the good old ways. Unfortunately, the Second Law of Thermo-dynamics operates in human society as it does in the physical universe at large, as those who remember their Jeans and Eddington can testify. There is no standing still for a virile people, only a going forward or a going backward. Our fathers in other days did not hesitate long when confronted with this choice.

THE NEW AMERICA IN THE MAKING

After great sacrifice in life and wealth, we have preserved the right to work out our national destiny in our own way. It is futile to debate whether any nation can isolate itself from the rest of the world; it is equally dangerous to surrender our freedom of action as an independent sovereignty. Neither the illusion of isolation from the world current of history, nor the delusion of safety in a superstate will commend itself to the sound common sense of the American people.

We will discover that the best way to serve humanity is not by proclaiming grandiose world schemes prudently backed up by irresistible force, but rather through our substantial achievements in the sphere of human betterment. The creative social forces unloosed on this soil by the Continuing American Revolution are well on the way toward buttressing our political democracy with the establishment of an industrial democracy.

We shall transform these United States into a paradise on earth. We shall replenish the depleted soil, dam up our wild-flowing streams, reforest the denuded hills and fill the country-side with comfortable homes abounding with the material things for a rational life and the opportunity to enjoy them. We shall linger once more in the long neglected realms of the spirit. Creative labor shall be the blessed right of every one who seeks to reap the abounding fruits of toil, and thus win the leisure to cultivate the imperishable arts of our Civilization. Our industries and farms will produce the requirements of a fuller life for a people many times the number of those who now find themselves too many in this vast, unfinished land of infinite possibilities.

The laughter of little children will once again resound with the plenitude of a young land upon which so strangely has descended the ancient, awesome curse of sterility. With the ever-recurring miracle of birth there shall attach the inalienable right to work, to think, to dream the immortal dreams of the race. America will bloom like a garden again in a world saddened by want, by unnecessary strife, by individualistic ambition which feeds upon the deprivation of his fellow men.

To such a world America will say—Brothers of men, children of the common earth, this is the way to the everlasting life of the human spirit. Come, join with us, and let us strive together to attain the fuller knowledge of that unknown yet ever-living Presence which is the essence of blessedness on earth.

END

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